EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

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D 8523A

SINGAPORE
Preparing for the next lap
Section III

World News

Guerrillas are asked to let the refugee Kurds return

Allied military commanders urged Kurdish guerrillas not to hinder civilians who wish to return to the Iraqi town of Zakho where a protected refugee camp has been set up.

President Turgut Ozal of Turkey said it was essential for the allies to remain in northern Iraq. *Page 20*

Earthquake kills 24

A powerful earthquake hit the southern Soviet republic of Georgia, killing at least 24 people. There was a second tremor five hours later.

France apologises

French prime minister Michel Rocard apologised to New Zealand in Wellington for the bombing of the Greenpeace flagship Rainbow Warrior but said nuclear testing in the South Pacific would continue.

Ambassador resigns

An inquiry into alleged corruption in Western Australia claimed its first political victim when Mr Brian Burke, a former Labor premier of Western Australia, resigned as ambassador to Ireland. Page 4

Mines peace hope

Russian leader Boris Yeltsin is expected to persuade coalminers in the Kuzbas today to end their strike, which is already showing signs of faltering. Page 3

UN force for Sahara

The UN Security Council unanimously voted to set up a UN force to oversee a ceasefire in Western Sahara this year *and a referendum early in 1992.*

Protest by fire

A South Korean student set herself on fire and riot police fired teargas when nearly 10,000 protesters marched in Seoul over the death of a student beaten by security forces.

Siren that failed

A siren that would have warned residents of Andover, Kansas, of a tornado which killed 14 people last Friday failed to go off despite four attempts to activate it.

Taiwan olive branch

The first formal Taiwanese delegation to visit the Chinese mainland in four decades arrived in Peking following Taiwan's National Assembly vote to end 43 years of emergency rule. Page 4

Princess skips lunch

Britain's Princess Anne missed lunch and urged others to do the same – and donate the money to help 27 million Africans facing starvation.

Bombs hit Turkey

Gunmen killed three Turkish provincial officials and seven bombs went off in Istanbul and the port of Adana.

Town recaptured

Ethiopia says its troops recaptured the strategic town of Ambo, 65 miles west of Addis Ababa, after routing rebel forces which took it last week.

US bases warning

The Philippines warned the US it would have to withdraw its forces if the two sides cannot bridge deep differences.

Death sentences

China sentenced three men to death for looting an army arsenal in the Tibetan capital of Lhasa and killing a guard.

Salvador reforms

El Salvador's National Assembly will go into emergency session over the next two days to adopt a package of constitutional reforms aimed at ending the bloody 11-year civil war.

Nobel millionaires

This year's Nobel Prize winners will become instant dollar millionaires. The Nobel Foundation said it had raised the 1991 awards by 50 per cent.

Business Summary

France calls for continued EC control on car imports

France's industry minister called on the European Commission to back EC carmakers' proposals for continuing controls on Japanese car sales in Europe.

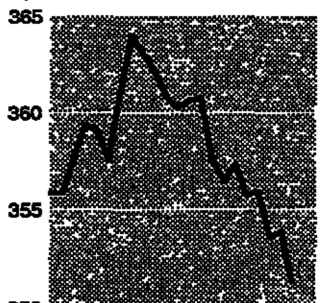
Today, all 17 Commissioners will discuss Japanese car imports for the first time since October, with the aim of informing EC governments of their proposals by the middle of next month and restarting negotiations with the Japanese. Trade, Page 6

GALERIES Lafayette, owner of elegant Paris department store, appears likely to be forced to bid for rival Nouvelles Galeries after buying 16.4 per cent of its capital from Proventus, Swedish retailing group. Page 21

INTERNATIONAL Paper, world's biggest paper company, urged Japan to open its paper trade to help develop international trade and allay the *mounting frustration of the* US Congress. Page 6

GOLD closed below key support at $352 a troy ounce on the London bullion market.

Gold price



Dealers said that key support *at $350 remains intact, but subject* to further downward pressure due to the continuing strength of the dollar. Commodities, Page 32

IBM, International Business Machines, which has reported a 50 per cent drop in first quarter earnings, said that it had not seen any sign of market improvement. Page 21

SIEMENS, German electrical and electronics group, is to acquire the industrial controls subsidiary of Texas Instruments, US computer software company. Page 21

MARKS and Spencer, international retailing group, is to shed 850 jobs in the next few days as the company grapples with the harshest retailing conditions in a decade. Page 10

BRITISH Gas agreed to proposals that will impose tough new controls on the prices it charges 17m households for gas. Page, 10; Lex, Page 20

UK Post Office is considering opening up its postal network to private couriers, such as the Australian based delivery company TNT. Page 9

SUN Alliance, UK household insurer, has pulled out of the bidding for the short-term credit insurance business of *the Export Credits Guarantee* Department. Page 9

CHRISTIANIA, Norway's second biggest bank, unveiled a first-quarter net loss of NKr279m ($40.9m), compared with a net profit of NKr260m in the same period last year. Page 22

FIRESTONE, Japanese-owned tyre company, has threatened to close down its Argentine subsidiary if the Argentine government forces a demand for an estimated $60m-$100m in back taxes. Page 23

PEPSICO, global soft drinks company, turned in a 13 per cent rise in first-quarter net earnings with *strong growth* in its soft drinks and restaurants but the figures were at the low end of expectations and shares fell $1 to $31⅛ at midday. Page 24

Washington talks fail to produce agreement on debt forgiveness

G7 divided over official debts

By Stephen Fidler, Euromarkets Correspondent, in Washington

ATTEMPTS to find agreement among the Group of Seven industrialised countries at their *Washington meeting over* the limiting of official debt forgiveness have failed.

As a result, the customary reference to the international debt strategy was absent from the G7 communiqué agreed on Sunday.

Debate on the issue followed agreement by the Paris Club of creditor governments to write off at least 50 per cent of Poland's official debts. A similar deal is expected to be agreed *for Egypt.*

Mr Pierre Bérégovoy, French finance minister, said yesterday that he had "categorically refused" to agree to a proposed statement on international debt. The statement would have attempted to "ring fence" the deals for Poland and Egypt.

Forgiveness of government-to-government debt had previously only been available to the poorest countries, mainly in Africa. Poland and Egypt are both defined as lower middle-income debtors.

Mr Bérégovoy said he agreed there should be no generalised debt forgiveness, but that there were other lower middle-income countries – particularly those African countries aiming for more democracy – which might deserve debt forgiveness on a case-by-case basis. French officials are thought to have four countries particularly in *mind: Ivory Coast, Cameroon,* Senegal and Gabon.

Some industrialised country governments, in particular Japan, are concerned that debt forgiveness for Poland might create an awkward precedent. Japanese officials have said that countries which get debt relief from Japan will find it hard to get new loans from the Japanese government.

The US, which has pressed for debt relief for both Poland and Egypt, has distinguished the two by pointing out that *they carry the highest level of* official debt per capita of any of the developing countries.

The issue of further official debt forgiveness is unlikely to go away. Britain and others are pressing for deeper and more sustained debt relief for the poorest countries, mainly in Africa. The so-called Trinidad Terms, suggested last autumn by Mr John Major, Britain's prime minister and former chancellor of the exchequer, would relieve up to two-thirds of the debts of the poor*est countries.*

This proposal is expected to be backed by a meeting today of the Development Committee, the joint group of the International Monetary Fund and World Bank which addresses development issues.

The UK government would like to have agreement on the Trinidad Terms to announce in time for the London economic summit in July.

US treasury secretary Nicholas Brady yesterday expands on the communiqué which failed to mention debt strategy

ON OTHER PAGES

Dollar continues strong rise against the D-Mark

By Peter Marsh, Economics Staff, in London

THE dollar yesterday hit its highest levels in Europe against the D-Mark for 16 months, amid signs that the world's richest nations are happy to see the currency continue its recent rise.

Pressure to buy the dollar was bolstered by the absence of a specific reference to the strength of the currency in the communique issued after the weekend meeting in Washington of the Group of Seven industrial nations.

While the US failed in its short-term goal of persuading Germany to cut its interest rates, the discussions among the finance ministers and central bank governors of the US, Japan, Germany, France, Britain, Italy and Canada are expected to lead to lower interest rates in the months ahead.

US officials have pressed for easier borrowing conditions worldwide, as part of an effort to spur general economic growth.

Although the dollar fell back from the day's highs, the unit kept up the momentum which has seen it jump by 22 per cent against the D-Mark, since hitting an all-time trading low against the German currency in mid-February.

The dollar's rise has been due to increasing optimism about the outlook for the US economy. At the same time, the D-Mark has been affected by worries about the economic cost of German re-unification.

The German currency's recent weakness has caused concern at the Bundesbank, which wants a strong D-Mark to constrain domestic inflationary pressures.

Last night, the dollar closed in London at DM1.7690 against the D-Mark, up more than 1 pfennig on Friday's close. Earlier, the dollar had been bolstered by heavy buying of the US currency in Far Eastern markets. At the start of trading in Frankfurt, it was quoted at *DM1.7860, its highest* Frankfurt opening since December 1989 and some 34 pfennigs above its low in February of DM1.4430.

Pointing to the lack of reference to the dollar in the G7 communique, Mr Jim O'Neill, head of financial markets research at Swiss Bank Corporation in London, said: "It seems that, outside Germany, no one is worried by the low D-Mark."

Mr Paul Chertkow, chief

Continued on Page 20

UK economic recovery 'round the corner'

By Peter Norman, Economics Correspondent, in Washington

MR Norman Lamont, UK chancellor of the exchequer, said yesterday that economic recovery in Britain was "round the corner".

Britain was making "excellent progress" in cutting inflation, Mr Lamont told journalists after addressing the policy-making Interim Committee of the International Monetary Fund in Washington.

"I think we are going to get inflation down to a level not so far removed from the strongest countries in Europe within a very short period of time," he said, adding that that would result in a very significant strengthening of the UK position.

Mr Lamont said he could not be precise about the exact timing of the recovery, although he thought it would be around the end of the second quarter. In the UK, as elsewhere, lower inflation and lower interest rates would be powerful forces for recovery. The "key lesson of the late 1980s" was that firm control over inflation was a precondition for sustained growth.

He repeated the government's position that it would cut interest rates as and when reduced inflation created the necessary flexibility for such action.

He dismissed as "imaginative" a Sunday newspaper report that interest rates would be cut again next month. "I have made no commitment on cutting rates," he said. Mr Lamont's upbeat assessment of Britain's economic prospects came after a period in which economic news has been almost universally bad. He said that in the coming months, the official statistics – particularly those for lagging indicators such as employment and investment – would continue to provide evidence of the past weakness of the economy.

But he stressed the importance of distinguishing such backward-looking indicators from forward-looking signs that were now emerging. These, he said, had begun to show a marked improvement in consumer and business confidence.

Mr Lamont admitted that unemployment would continue to rise during this year, although how much would depend on the level of wage *settlements and on the effec*tiveness of labour market

Continued on Page 20

Savimbi signals end to Angola's civil war with ceasefire signing

By Michael Holman, Africa Editor, in London

AN END is in sight to the 15-year civil war in Angola, which has cost hundreds of thousands of lives and has devastated a country rich in oil, diamonds and coffee.

Mr Jonas Savimbi, leader of the Unita rebel movement, said in London yesterday that agreements leading to an internationally monitored ceasefire and multi-party elections were due to be initialled in Lisbon today.

A *formal signing ceremony* will take place at the end of May, probably in Lisbon, where officials from Unita and the Angolan government are currently meeting.

Western diplomats last night confirmed that an end was in sight to a conflict which, from the start, was fuelled by superpower rivalries.

The rapprochement between Washington and Moscow, the Namibian settlement, which ended South African military support for Unita, and saw the withdrawal of a 50,000 strong pro-government Cuban force from Angola, and war-weariness, have combined to push both parties to the negotiating table.

But the diplomats stressed that implementation of the agreements, which include the integration of rival armies during an 18-month transition period before elections, would be fraught with difficulties.

The apparent breakthrough follows protracted talks co-ordinated by Portugal, the former colonial power, and attended by officials from the US, *the main supporter of* Unita, and the Soviet Union, once a staunch ally of President Jose Eduardo dos Santos of Angola's ruling MPLA party.

The Unita leader, speaking in London on the eve of a meeting with *Mr Douglas* Hurd, Britain's foreign secretary, said he expected Mr Javier Pérez de Cuéllar, UN secretary general, Mr James Baker, US secretary of state, and Mr Alexander Bessmertnykh, *Soviet foreign minister,* would attend the formal signing.

In his outline of the agreements to journalists in London, Mr Savimbi said the US, the Soviet Union and the UN would be helping to monitor the transition process.

During the transition, which would end with elections in September, October or November next year, the MPLA government "will continue to deal with normal affairs," said Mr Savimbi.

But a "joint political and military committee", comprising equal numbers of MPLA and Unita officials, will "deal *with the whole process leading* to the ceasefire, elections, stability, and internal security," said Mr Savimbi, adding that he expected to arrive in Luanda in early July.

Up to now he has been based *in Jamba the rebel headquar*ters in southern Angola.

The commission will also oversee the creation "of one national army", preferably no larger than 50,000, in which Unita and MPLA would be *equally* represented.

The airforce and navy will remain in MPLA hands, under close independent monitoring.

Angola struggles for fresh start, Page 5

CONTENTS

Sweden tires of paying for social democracy

Ingvar Carlsson, the Swedish premier, tomorrow faces what could be his last May Day in power. Support for his Social Democratic Party, which has dominated Swedish *politics for nearly 60* years, has fallen to an all-time low

Page 2

MARKETS

STERLING
New York lunchtime:
$1.6955
London:
$1.677 (1.696)
DM2.9675 (2.9575)
FFr10.0025 (9.98)
SFr2.4875 (2.4925)
Y230.75 (233.0)
£ index 90.7 (90.8)

GOLD
New York: Comex Jun
$354.1 (355.5)
London:
$351.35 (353.85)

N SEA OIL (Argus)
Brent Jun
$19.675 (+0.2)

Chief price changes yesterday: Page 21

DOLLAR
New York lunchtime:
DM1.7475
FFr5.9125
SFr1.466
Y136.55
London:
DM1.769 (1.7545)
FFr5.965 (5.92)
SFr1.484 (1.4785)
Y137.6 (138.15)
$ index 67.2 (66.8)
Tokyo closed for holiday

US lunchtime rates
Fed Funds $5\frac{7}{8}$%
3-mo Treasury Bills:
yield: 5.73%
Long Bond: $96\frac{11}{32}$
yield: 8.197%

STOCK INDICES
FT-SE 100:
2,498.2 (+26.9)
FT Ordinary:
1,980.6 (+22.3)
FT-A All-Share:
1,207.77 (+0.9%)
New York lunchtime:
DJ Ind. Av.
2,927.23 (+14.85)
S&P Comp
380.43 (+1.41)
Tokyo: Nikkei
Closed for holiday

LONDON MONEY
3-month interbank:
closing $11\frac{3}{4}$% ($11\frac{13}{16}$%)
Liffe long gilt future:
Jun $91\frac{11}{32}$ ($91\frac{15}{32}$)

Greece decides to swallow the EC medicine

By Kerin Hope in Athens

A BOATLOAD of Greek tourists on a trip to the island of Delos recently looked surprised to be charged for visiting the ruins of Apollo's sanctuary. But the murmurs of protest were few as they rummaged for thousand-drachma notes. One woman told her sons, with only a hint of irony: "You see, now you're real Europeans."

Threatened with a summons from the European Court of Justice for discriminating against other EC citizens, Greece has dropped its practice of making only foreigners pay at museums and ancient sites. The change was diplomatically timed to coincide with Easter, when the first wave of foreign tourists rolled in.

The conservative government is trying hard to uproot the prevailing image of Greece as an unco-operative Community partner, dependent on EC hand-outs because it is unwilling or unable to put its economy in order.

"It's true Greece was remiss about everything from applying for funds to answering letters. We didn't participate fully. But that's changed. Now we want to make a real contribution," says Mr George Papastamkos, undersecretary for EC affairs.

However, Greece is now being criticised for its reluctance to lift a veto on Ecu600m (£414m) in economic aid for Turkey, even after being granted a special balance of payments loan earlier this year. The veto was imposed in the early 1980s in protest at the Turkish military presence in northern Cyprus.

Foreign Ministry officials in Athens are reluctant to comment on suggestions that the government may soon agree to the Turkish aid.

But the real test of Greece's future relationship with the Community will be the progress made on restructuring its economy under the terms of its Ecu2.2bn loan.

Greece has undertaken to reduce inflation from 22.8 per cent at the end of last year to 9.5 per cent by 1993 and to cut government borrowing from 13.1 to 1.5 per cent of gross national product. The current account deficit must be cut from 6 to 3 per cent of GNP.

The three-year stabilisation programme is intended to prepare the drachma for entry to the exchange rate mechanism by the end of 1993, in time for Greece to join in the second phase of economic and monetary union.

Other conditions for the loan included an overhaul of the pension system, sweeping tax reforms and a 10 per cent cut in the civil service payroll. About one-third of spending goes to cover the public sector wage and pensions bill.

With another 40 per cent earmarked for servicing the public debt, now over 100 per cent of GDP, there is little scope for state investment.

The government intends to use the EC loan to help cover the Greek contribution to infrastructure projects included in the Community's regional programme, calculating that increased private capital inflow will cover the current account shortfall.

"We're on track with most projects, and in some cases the Commission has gone out of its way to find extra financing," says Mr Achilles Karamanlis, minister of public works.

As a result, a long-delayed project to help develop northwestern Greece through construction of a $400m bridge across the western end of the Corinth Gulf should go ahead later this year.

Still, Community surveillance of Greece's economic performance will be strict: the terms of a similar loan in the mid-1980s were largely ignored.

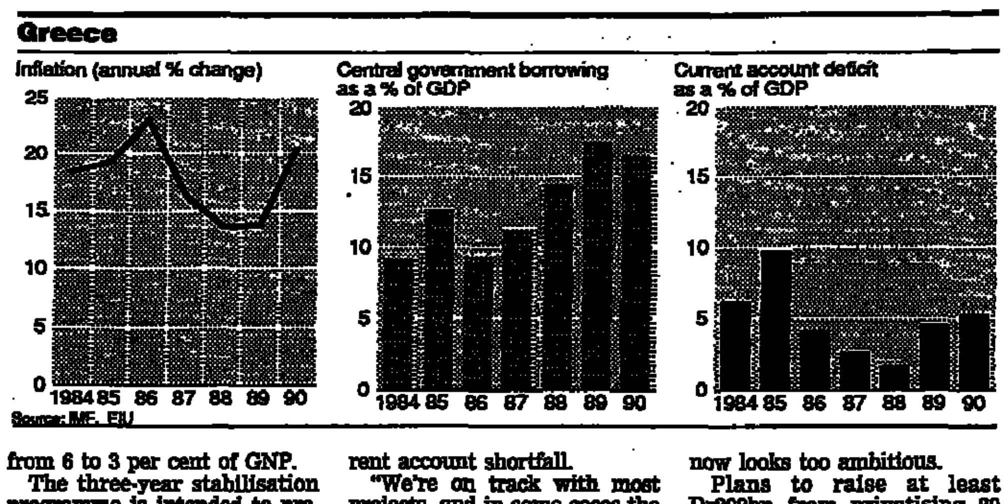
On the basis of first-quarter performance, Greek officials will be able to report progress on containing inflation – now likely to fall below this year's target of 17.5 per cent. However, there are problems with reducing the deficit as public sector corporations are still overspending, while the government's revenue forecast now looks too ambitious.

Plans to raise at least Dr200bn from privatising 20 debt-plagued companies run by the state-controlled Industrial Reconstruction Organisation will be curtailed. Potential buyers have been slow to appear.

Issues of state land bonds, convertible into building plots, were expected to bring in another Dr150bn. They will be delayed until later this year because local authorities in several designated areas are raising objections.

But when it comes to tax evasion, the Finance Ministry is on the warpath. A new tax inspector has arrived on the island of Mykonos, opposite Delos, which attracts about 500,000 tourists every summer and still keeps up its reputation for riotous nightlife.

"He seems like a tough character," says a bar owner, shuffling the night's takings before deciding how much to ring up on the cash register.



Source: IMF, EIU

Sweden tires of paying for social democracy

By Robert Taylor in Stockholm

SWEDEN IS one of the few countries that still seems to take May Day seriously. But tomorrow, as the red flags unfurl, thousands take to the streets and the faithful sing the Internationale, many Social Democrats must wonder whether the party that has dominated Sweden for nearly 60 years is not in terminal decline.

For Mr Ingvar Carlsson, the prime minister, in particular, tomorrow promises to be a bitter day. As he tries to rally the troops less than five months before the general election, support for his Social Democrat party has fallen to a record low of 28.7 per cent, according to a recent poll.

Among voters under the age of 30, the party has a mere 17.5 per cent support, only two points more than the three-month-old maverick right-wing New Democracy party. Even among blue-collar trade unionists, fewer than 40 per cent back the Social Democrats. And in the big cities the party faces annihilation.

The collapse of support has come fast. Only three years ago 43.2 per cent voted for them at the polls.

The party's troubles are not based on political indecisiveness or lack of firm action. The Social Democrats have not fallen apart or drifted on to the rocks. Indeed, the under-estimated premier, who took over after Mr Olof Palme's assassination in February 1986, has shown patience and finesse in establishing cross-party agreements that have taken Sweden in a more liberalising, free market direction.

On issue after issue Mr Carlsson has been able to break through the policy impasse. After years of talk, the tax reform was implemented, shifting the burden from incomes on to goods and services. An earlier commitment to start phasing out the country's nuclear reactors from 1995 threatened to devastate industry, but Mr Carlsson achieved a compromise whereby nuclear power will not go until a credible alternative exists.

Two other lingering issues have been resolved. Terrestrial commercial television is coming to Sweden at last, and the much-debated road and rail bridge is to be built over the waters of the Oresund linking Sweden with Denmark.

Moreover, Mr Carlsson's government intends, after surprisingly little argument, to apply for Swedish membership of the European Community this summer.

Yet none of this has made any difference to the poll ratings. Perhaps some voters reason that if Sweden is becoming more liberal they might as well vote for the most liberal-oriented parties. Others are upset by what they see as the abandonment of cherished Social Democratic commitments to social justice and equality.

The party has also lost its reputation for competent economic management. The so-called Third Way economic strategy of the 1980s, between the free market and the Soviet-style command economy, has failed, with raging wage inflation, sluggish productivity, balance of payments deficits, worsening competitiveness, rising unemployment and stagnant living standards.

The recently published memoirs of the former finance minister, Mr Kjell-Olof Feldt, point to another important reason for the decline of the Social Democrats. Interest groups such as the powerful LO blue-collar union movement have exercised too great an influence over the party, demanding more resources for the huge welfare state, which Sweden could not afford.

Mr Carlsson can draw comfort from one thought: no coherent political alternative exists to the Social Democrats, who remain the largest party.

The opposition is split seven ways. Two of the parties – New Democracy and the Christian Democrats – look set to win seats in parliament for the first time this autumn. The other three non-Socialist parties – the Moderates, the Liberals and the Centre which worked together in government between 1976 and 1982 – are no longer united, though the Moderates and Liberals have reached a common economic strategy.

After the elections, therefore, Sweden may well have a non-Socialist coalition government that is not strong enough to take the necessary tough economic decisions.

Finland has second thoughts on EC entry

By Robert Taylor

FINLAND IS reassessing whether to apply to join the European Community, amid signs of a collapse in the negotiations between the EC and European Free Trade Association on the creation of a European Economic Area (EEA).

The outgoing foreign minister, Mr Pertti Paasio, a Social Democrat, said at the weekend that Finland ought to be ready to seek EC membership. His party, which is now the country's main opposition following last month's general election, has not yet taken a view but is expected to line up behind the call for a Finnish application.

The new coalition government between the Centre party and the Conservatives is being more cautious. But in its programme, announced at the weekend, it uses a form of words which suggests it is also ready to drop the old resistance to the idea of Finnish membership of the EC.

It said the government would "strive for a solution which in the best possible way protects our national interests."

Mr Ekso Aho, the new Centre party prime minister, said yesterday the government still hoped for a successful outcome to the EC-Efta talks. But, with Switzerland threatening to walk out and apply for EC membership alongside Sweden and Austria, Finland may change its mind. Finland's prudent president, Mr Mauno Koivisto, is known to be concerned at the prospects of a break-up of the EEA talks.

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EUROPEAN NEWS

Miners likely to yield to Yeltsin

By **John Lloyd** in Moscow

Soviet premier Valentin Pavlov (right) with his Belgian counterpart, Wilfied Martens (left), in Brussels yesterday to discuss EC food aid and technical help

MR BORIS YELTSIN, the Russian leader, is expected to persuade coalminers in the Kuzbas today to end their strike, which is already showing signs of faltering.

As he began his visit to the most militant coalfield last night, his supporters took to the streets to collect the 100,000 signatures necessary for his presidency – and his radical allies tried to put their qualms aside and rally behind him.

A demonstration in support of Mr Yeltsin in central Moscow last night attracted about 30,000 people, a small number compared with other such rallies in recent months.

This reflected both the bad weather, and, more importantly, the deflation of the radical movement after Mr Yeltsin's signing of a statement with President Mikhail Gorbachev and eight other republican leaders which committed him to end strikes and support the government's anti-crisis plan.

The congress of the Social Democratic Party, which begins today in Leningrad, is expected to follow the Democratic Russia movement's initiative at the weekend in endorsing Mr Yeltsin's candidacy.

However, deputies to the Russian parliament said yesterday they were seeking ways to restrain him from acting impulsively in the future.

Two other names are now being mooted among deputies as possible contenders for the Russian presidency on June 12. These are Mr Vadim Bakatin, the former interior minister and now a member of Mr Gorbachev's presidential council, who achieved a reputation as a liberal; and Mr Anatoly Sobchak, Leningrad's popular and high-profile mayor.

Neither, however, has been approached formally and it is thought unlikely at the moment that either could be persuaded to attempt to stop Mr Yeltsin's bandwagon.

Slogans and flags are already being put in place on Moscow's main streets in preparation for the May Day celebrations tomorrow.

The banners carry a leafy, springtime motif with brief, anodyne slogans like "Peace – Labour – May". The flags are sky blue, an evident effort to break with the invariable red flags of communism.

The Democratic Russia group, which had been planning a demonstration in or near Red Square, said last night it would call it off.

However, Mr Lev Shumayev, a member of Democratic Russia's Co-ordinating Council, said a massive rally would be held on May 18 for, and with, Mr Yeltsin.

Romania's premier deals stronger hand

By **Ariane Genillard** in Bucharest

ROMANIA'S prime minister, Mr Petre Roman, yesterday replaced nearly half his cabinet in an attempt to bring new blood into the government to maintain the pace of reforms.

"The course of events, both legislative, economic and social, had worn down some members," Mr Roman told parliament, adding that greater adaptability to "fast change" was now needed.

Several of the ministers who were replaced had complained *privately about the difficulty of* controlling large, bureaucratic ministries. The reshuffle is a thus a clear sign that the government is determined to place strong personalities in those ministries which bear the burden of the reforms.

The key changes include the transfer of Mr Victor Stanculescu, defence minister, to the industry ministry, which is responsible for negotiating the *bulk of the partially* liberalised prices.

Mr Stanculescu was economics minister in the first two months after the December revolution. He was then appointed defence minister, specifically to quash the emergence of rival factions, and is *widely believed to be one of* toughest people in the government. minister.

The Finance Ministry, led until yesterday by Mr Teodor Stolojan, will be merged with the Economics Ministry. It will continue to be headed by Mr Eugen Dijmarescu, a close associate of Mr Roman, and a key player in designing the whole reform package.

Mr Roman also stressed the *need for opposition forces to* "share the responsibilities for the transition period". He appointed three ministers from outside the ruling National Salvation Front, none of whom, however, is thought to be representative of the opposition.

The Labour Ministry will be headed by Mr Mihnea Marmeliuc, a member of the pre-1946 National Liberal party.

The Public Works Ministry will be led by Mr Dinu Patriciu, labour minister in the interim government and a member of the secessionist youth wing of the National Liberal party. Mr Valeriu Pescaru, of the Agrarian Party, will take charge of land privatisation within the Agriculture Ministry.

Mr Roman had approached other members of the opposition parties as well as leaders of the trade unions, but had failed to persuade them to join his government. The three non National Salvation Front appointees are not judged to be representative of the opposition. Mr Marmeliuc never became a member of the reborn National Liberal party and the Agrarian Party has only a few deputies sitting in parliament.

Prague cuts taxes to boost output

By **Leslie Colitt** in Berlin

CZECHOSLOVAKIA is lowering company turnover taxes and relaxing credit controls in a supply-side attempt to stimulate flagging industrial production.

Output fell nearly 12 per cent in the first quarter of the year compared with the same period of 1990. The largest decline was in the building industry where output fell 35 per cent.

From May 1 the highest rate of turnover tax will drop from 32 to 29 per cent. The middle band falls from 22 to 20 per cent and the lowest from 12 to 11 per cent.

The government will also loosen bank lending restrictions to help stimulate investment, according to Mr Ivan Svitek, an advisor to Mr Vaclav Klaus, the finance minister, who advocates radical economic reforms.

An IMF team in Prague has told the Finance Ministry that it regards economic indicators other than output favourably.

The balance of payments deficit of $250m in the first three months was considerably better than anticipated. The deficit fell to only $29m in March. A current account deficit of $2.5bn had been expected for the entire year. The government has responded to the lower deficit by reducing a surcharge on imports from 20 per cent to 18 per cent, also starting tomorrow. Further reductions will follow and the surcharge, strongly criticised abroad, will be eliminated shortly.

Inflation, which soared to 37 per cent in the first quarter because of a sharp cut in subsidies and resulting higher prices in January, eased to 4.7 per cent in March, when food prices dropped 2 per cent as a result of greater competition. The inflation rate is expected to be even lower this month but will rise again in May when subsidies are removed on domestic electricity and heating, Mr Svitek said.

Subsidies on rents, which typically cover half the amount paid, are to be removed this summer.

EUROPE IN BRIEF

Soviet soldier shot near Berlin

A Soviet soldier was found shot dead yesterday near a military exercise zone in eastern Germany, local police said, Reuter reports from Potsdam.

A spokesman for Brandenburg state police said the body of the 18-year-old sentry was discovered outside the village of Schweinichen about 100 km northwest of Berlin.

The incident occurred 10 days after a Soviet sentry shot and wounded a German army officer taking photographs of a Soviet munitions depot near Magdeburg.

The German government protested, saying the officer had not been in a restricted zone. Moscow expressed regret but said the sentry was correct to open fire.

During a visit to Soviet forces headquarters on Friday, Mr Gerhard Stoltenberg, Germany's defence minister, was pressed to provide more protection for 350,000 troops and their families from growing rightist xenophobia in the once Communist east.

Polish share sale date given

Poland's privatisation minister, Mr Janusz Lewandowski, has announced that the country's next public share offer would open around May 20 with the sale of the Swarzedz furniture factory, writes Christopher Bobinski in Warsaw.

Five per cent of the shares in Swarzedz, near the western city of Poznan, are to be awarded to three former owners of workshops taken over after the Second World War to set up the factory.

The ministry is also expected to sign an agreement at the same time selling a 51 per cent share of the Polkolor television works to the French Thomson defence and electronics group. The purchase will cost the French company $35m, with Polkolor valued at $68.6m.

Publishing chief dies

Claude Gallimard, the former head of France's most prestigious publishing house, died yesterday aged 77, Reuter reports from Paris.

Gallimard publishing house said in a statement that he had suffered a "sudden

Claude Gallimard

illness" that forced him to retire two years ago.

In 1937, Mr Claude Gallimard joined his father Gaston, who founded the Parisian publishers. He took over control of the firm in 1975 after a 38-year apprenticeship.

With his father, he was responsible for publishing works by some of France's best-known writers, including Andre Gide and Paul Claudel, brother of Camille Claudel.

German Greens to pull together

Germany's radical Greens, ousted from parliament in all-German elections last December, said they hoped to keep the party together despite a major split, Reuter reports from Bonn.

The unruly coalition of environmentalists, pacifists and feminists entered the West German parliament in 1983 on a surge of anti-nuclear protest.

Opposition to German unification last October and the fact that major parties adopted concern for the environment, their strongest card, cost the Greens dearly in December's elections, when they won just 4.8 per cent of the vote in western Germany.

Mr Ludger Volmer, spokesperson, told a news conference in Bonn: "We hope to consolidate the party in order...to have a realistic chance of making a comeback in parliament in four years."

He said Greens would seek to work closely with Alliance 90, a coalition of civil rights groups and Greens who won six per cent of the votes in eastern Germany, giving them eight deputies in the 662-seat Bonn parliament.

Havel against treaty clause

Czechoslovakia's President Vaclav Havel said a clause in a friendship treaty with the Soviet Union that would prevent his country from joining a Western security alliance was unacceptable, Reuter reports from Prague.

Havel said a Soviet clause in the treaty would exclude the possibility of either party becoming a member of a security alliance that might be directed against the other party.

The treaty – due to include security, economic and cultural cooperation for the next 10 to 15 years – will shape future relations between the two countries.

Stasi shipped out files

Former East Germany's Stasi security police moved more than 100,000 sensitive files to other East European states during the 1989-90 anti-communist upheaval, a senior investigator said, Reuter reports from Berlin.

Mr Joachim Gauck, head of the special Bonn government agency in charge of the files since German unification, said Stasi agents shipped out the dossiers before the state security apperatus was dissolved by pro-democracy reformers.

Gauck and Alfred Einwag, the federal watchdog for data protection, said they feared the missing files could be abused and the German government should seek their return to avoid violations of the strict privacy law.

The Stasi, employing 85,000 full-time staff and hundreds of thousands of part-time informers, infiltrated every aspect of life under East Germany's Stalinist regime.

Envoy resigns over 'W.A. Inc' affair

By Kevin Brown in Sydney

AN INQUIRY into alleged corruption in Western Australia claimed its first political victim yesterday when Mr Brian Burke, a leading figure in the governing Australian Labor Party, resigned as ambassador to Ireland and the Vatican.

Mr Burke, a former Labor premier of Western Australia, is a central figure in the inquiry into the so-called "W.A. Inc" affair concerning relations between the state government and local entrepreneurs such as Mr Laurie Connell and Mr Alan Bond. He is expected to begin giving evidence today to the inquiry, which is being carried out by a royal commission appointed by Western Australia's minority Labor government.

Senator Gareth Evans, foreign minister, said Mr Burke's decision to resign "was entirely his own, and not the subject of any request or direction by the government". However, the resignation followed Senator Evans' admission that Mr Burke's position was under review because of concern over public interest in Ireland and Italy in the royal commission proceedings.

Mr Burke's resignation represents a significant political victory for the conservative opposition parties, which have campaigned for his dismissal since the royal commission was appointed in November. Dr John Hewson, leader of the Liberals, the main opposition party, said Mr Burke's resignation was a recognition that he could not continue as ambassador while he remains "the subject of serious allegations".

The royal commission is investigating business deals over a decade between Labor governments led by Mr Burke and Mr Peter Dowding, and Liberal administrations led by Sir Charles Court and Mr Ray O'Connor.

The most serious allegations, involving relationships between politicians and leading businessmen, relate to Mr Burke's premiership between 1983 and 1988. Witnesses have given evidence that business leaders were pressed to contribute to the campaign expenses of the Labor Party, and that secret bank accounts and cash reserves were maintained by party leaders.

Mr Burke has repeatedly denied any impropriety. "Not only have I been responsible for no illegality or impropriety, I am confident the royal commission will in the final analysis find that none of my actions even approach impropriety," he said.

Brian Burke tells the press in Perth of his resignation yesterday

Australian docks employers reject Hawke wages deal

PROSPECTS of early agreement on Australian docks reform receded yesterday after employers declined to accept a wages deal drawn up between the trade unions and Mr Bob Hawke, the Labor prime minister, Kevin Brown writes.

The deal was rejected by *Conaust*, the *largest stevedoring* company, a subsidiary of P&O, and strongly criticised by the Association of Waterfront Employers of Labour.

The deal followed intervention by Mr Hawke to defuse a moratorium on reform announced by the Australian Council of Trade Unions (ACTU) in protest against a 2.5 per cent wages award by the *Industrial Relations Commission*. The award conflicted with an earlier wages agreement between the ACTU and the government, known as the Accord, under which workers in most industries were to receive A$12 (£5.40) per week from May 16, together with further productivity-backed payments to be negotiated at company level. The commission's refusal to approve the award places the Accord in jeopardy, and could lead to changes in industrial relations law if the government decides to by-pass the court.

The docks employers' association said it was concerned about the legal implications of accepting the deal given that it was negotiated outside Australia's centralised wage-fixing system.

The association is expected to decide today to seek further talks with the government on how the deal would affect employers' legal protection from strikes called without the approval of the courts.

A special ACTU conference will decide tomorrow whether to back a campaign of industrial action for full payment of the Accord across all industries.

China banks lose HK share

By John Elliott in Hong Kong

THE MARKET share of Hong Kong domestic banking loans provided by the Bank of China and its 12 sister banks declined last year for the second year in succession after China's Tiananmen Square crisis when there was a sudden withdrawal of deposits.

This is believed to reflect a realisation by the Bank of China group that it is politically vulnerable to local protests in Hong Kong and should therefore adopt a conservative lending approach.

Its share of loans for use in Hong Kong fell from 14 per cent in 1989 to 13 per cent, compared with 16 per cent in 1988, although the total amount of loans rose from HK$88bn (£6.62bn) in 1989 to HK$102bn last year.

Total deposits with the banks also rose sharply from HK$196bn in 1989 to HK$254bn last year, according to the annual report of Hong Kong's banking commissioner published yesterday. This indicates that the strength of feeling that caused people to withdraw their money in June 1989 has evaporated.

The number of banks registered in Hong Kong rose to 168 last year, up from 165 in 1989. Restricted banking licences, introduced in February last year, were issued to 13 overseas banks.

Observer, Page 20

Taiwan team visits Peking

By Yvonne Preston in Peking

THE FIRST formal Taiwanese delegation to visit the Chinese mainland in four decades has arrived in Peking following Taiwan's National Assembly vote on April 22 to end 43 years of emergency rule and abrogate wartime provisions enacted in 1948 to deal with the "suppression of the communist rebellion".

The 14-member Taiwanese delegation, representing the recently formed Taipei Straits Exchange Foundation, yesterday met officials from the Office of Taiwan Affairs under China's State Council.

China has responded to the vote by Taiwanese MPs by ending propaganda broadcasts by the People's Liberation Army to Taiwanese troops stationed on the islands lying between Taiwan and China's Fujian province.

The way is now open for talks between Taiwan and China on direct trade and eventually even on reunification. Trade between the two has been expanding rapidly but until now it is officially supposed to have been routed through Hong Kong.

Tang Shubei, deputy director of China's Taiwan Affairs Office, told the visitors that China adhered to the one-China principle that Taiwan was an inalienable part of China's territory.

Dirty tricks cast shadow over the Indian election

The phenomenon of 'booth capturing' is on the increase, writes K.K. Sharma

AS the most populous democracy in the world prepares to hold national elections for the 10th time since independence in 1947, the question of whether they will be free and fair is being raised with considerable unease because of the atmosphere of violence.

India's Election Commission, an autonomous constitutional body that has the responsibility for conducting the mammoth poll – the country has an electorate of 510m – argues that democracy has been an overwhelming success.

"The Indian voter watches silently until the last day and then acts decisively. After all, he has frequently changed governments through the ballot box," says a senior Election Commission official.

Yet he concedes that the last two decades have witnessed, with alarming frequency, the rigging of elections in some constituencies and the practice is spreading.

The phenomenon of what is known as "booth capturing" began 20 years ago in Bihar and has spread to other states like Uttar Pradesh and Haryana in the north and, more recently, to Andhra Pradesh in the south. In the 1989 parliamentary elections, the commission officially recorded 1,599 cases of "booth capturing" and took remedial measures, including ordering a new poll.

But officials concede that there could be hundreds, even thousands, of cases that will go undetected. In all fairness, though, there have been no complaints of rigging from many states (including, curiously, the insurgency-affected state of Punjab where "booth capturing" is unknown).

"Booth capturing" actually means massive stuffing of ballot boxes and is officially categorised as being either "silent" (when false ballot papers are literally stuffed in the boxes with the connivance of the supervisory staff) or "violent". The latter involves actual intimidation of voters and polling staff, often at gunpoint.

There are many other dirty tricks, particularly during campaigns. Candidates frequently hire thugs for the purpose of disrupting meetings of rivals, or to battle against thugs owing allegiance to others.

In some states like Bihar, there are highly skilled and highly priced gangs who are experts in "booth capturing" and illegal practices. In the southern state of Karnataka, such gangs distribute lorry-loads of *arrack* liquor on polling day.

Despite an elaborate code of conduct framed by the commission, such "corrupt practices" are growing. Thus, organising an election is no easy task. The commission has no field staff of its own and depends entirely on the central and state governments to provide 3.5m workers to man the 600,000 polling booths.

The commission does not think that the coming elections will be unduly violent, but the Home Ministry thinks otherwise because of the heightened communal tension. It has drawn up a list of about 80 "hyper-sensitive" constituencies which are prone to communal violence, part of nearly 300 constituencies categorised as "sensitive".

Polling is to be held on three days spread over a week (May 20, 23 and 26) because security personnel have to be re-deployed for the elections. In addition to nearly 1.5m state police and home guards, the central government will provide 640 companies of troops, numbering about 1,000 each.

These are far less than are needed, but large numbers of paramilitary forces are already committed to fighting insurgencies in Kashmir and Punjab and cannot be spared for election duties. Hence the fears of increased violence – the death toll of 179 in the last elections in 1989 could be exceeded.

There are many more problems, most of them perennial. In such a diverse country, the weather is always a factor. In some Himalayan constituencies, polling will be held only when snow melts later in the summer. Demarcating constituencies is a massive pre-election exercise made more difficult because 25 per cent are reserved for lower castes.

Much of the electorate is illiterate and cannot read the names of candidates on ballot papers. The commission provides all the nine national parties and 38 state parties with permanent symbols (for instance, the Congress symbol is an open hand).

This does not always simplify matters as many constituencies have scores of candidates. In 1989, Belgaum, in Karnataka, had a record 301 candidates and the ballot paper was more than a metre in length. The cost of the national election in 1989 was Rs1.1bn (£30m) and is expected to be at least 25 per cent more this time. This does not include the money spent on campaigning or funding dirty tricks.

The official limit for election expenses is Rs150,000 for each candidate, but this is invariably exceeded many times over by parties and candidates.

The commission describes the elaborate exercise, including the violence and the corrupt practices, as "a part of the pangs of democracy".

Thailand expects growth rate fall

THAILAND forecasts annual growth in gross domestic product over the next five years of 8.2 per cent, down from 10.8 per cent during the past five years, a government planning agency said, Reuter reports from Bangkok.

Exports, which have been the main driving force of growth, are set to expand by 14.7 per cent a year in 1992-96, compared to the current rate of 24.6 per cent, the National Economic and Social Development Board said at the weekend.

Board planners are concerned that inflation will rise to 5.6 per cent in 1992-96 from the current 4.7 per cent a year, and the current account deficit will grow to 5.2 per cent of the gross domestic product in the same period from 4.5 per cent.

هكذا من الاصل

INTERNATIONAL NEWS

Iraq likely to resume oil exports

IRAQ'S State Oil Marketing Organisation has started notifying its traditional customers it will soon be ready to resume exporting oil and oil products, the Middle East Economic Survey reported yesterday, Reuter reports from Nicosia.

But the authoritative oil industry newsletter noted that the United Nations Security Council had not yet approved an Iraqi request to export \$942.5m (£557.6m) worth of oil so that it can buy food and other emergency supplies.

Oil exports are Iraq's only viable source of hard currency income following the severe damage duffered by its economy in the war. The Security Council's sanctions committee is scheduled to meet today to decide on the Iraqi request. Only humanitarian supplies are exempt from the trade embargo.

But much also depends on Turkey and Saudi Arabia, countries through which the bulk of Iraqi oil exports must pass. Turkey has said it would help Iraq export oil through pipelines on its territory after approval by the UN. Saudi Arabia's position remains unclear.

Iraq's northern oil fields still have a production capacity of 800,000 barrels per day (bpd) with output around 200,000 bpd, which is processed at the local Daura and Baiji refineries, the Cyprus-based newsletter said. Iraq's southern fields remain out of action due to war damage, it added.

● The newsletter also reported that Iran has concluded two oil deals with US buyers as part of a strategy to revive direct sales to the American market. Neither contract delivers Iranian oil to the US so they avoid Washington restrictions requiring special payments.

The National Iranian Oil Company (NIOC) has made a 110,000 bpd term contract with Coastal Corp for delivery to the US firm's Aruba refinery in the Caribbean, and a term contract of nearly 20,000 bpd has been concluded with Mobil Corp to deliver to the Far East, it said.

Japanese moved by plight of Kurds

By Stefan Wagstyl in Tokyo

INTERNATIONAL charities have often found Japan hard going. Japanese will make great sacrifices for the sake of family and close friends but are less easily moved by the plight of strangers.

There have always been exceptions, but Japan lacks a single international charity of the scale of Oxfam in the UK, Medecins sans Frontiers in France or Care in the US.

While the Japanese government is the world's largest provider of assistance to developing countries, contributions by private organisations are small in comparison with the west.

Japan is a relative newcomer to the club of rich nations; its self-consciously insular people have little experience of involvement in international affairs; their religious traditions lack the missionary spirit of Christianity. When the Japanese government last year asked for volunteers for medical missions to the Gulf, only about 20 people responded.

But there are signs that things are changing. The graphic television coverage of the destruction of Kuwait, the bombing of Iraq, and the sufferings of the Kurdish refugees has made Japanese more aware of the world around them. The appointment of Mrs Sadako Ogata, a tough-minded university professor, as United Nations High Commissioner for Refugees, has made people realise that they have a role to play beyond their shores.

Government has led the way, with \$128m being given from the public purse for refugees and other victims of the war. Of this, \$100m is going for the Kurds, fully one quarter of the \$400m worldwide appeal launched by the United Nations Disaster Relief Organisation. Japanese business has followed with a Y1.4bn appeal fund, to which Sony, the electronics group has contributed around Y400m.

People also seemed to have been moved by the refugee crisis as never before. Miss Chikako Saito, an official of the UNHCR in Tokyo, says it has collected Y400m in the past few weeks, less than the Y500m donated for famine relief in the 1980s but money is still pouring in. "The difference this time is that people want to know about the refugees. At the time of Ethiopia they just felt a vague sympathy. Now they want to know where the victims are and how they are suffering," said Miss Saito.

The Japan Red Cross says it collected 7,000 gifts worth Y300m in the first week after the war broke out in January.

However, an official of the Non-Government Organisation for International Co-operation, an umbrella group for 13 volunteer groups, says it is too early to say whether Japanese attitudes have changed or not. "Buddhists are passive, accepting things as they are and not trying to change them. So Japanese tend to feel sympathy but not to act. We need to establish organisations to make sure people can express their sympathies."

A Kuwaiti soldier stops an Iraqi at the Abdali refugee camp on the border with Iraq from boarding a bus on the journey to Iran. Iran will take 2,000 such refugees and many were left behind.

Angola struggles for a fresh start

Julian Ozanne looks at how old problems could spoil the new peace

SCRAWLED on the rusty corrugated iron walls on one of Luanda's many squalid shanty homes is a slogan which for most people sums up the political dilemma facing Angolans: "MPLA Robs, Unita Kills."

Yesterday's announcement by Mr Jonas Savimbi, leader of the rightist rebel Unita movement that a peace deal has been worked out with the leftist MPLA government will be greeted with joy by the long-suffering civilians of Angola. But it will not reduce the discontent with the two main political forces which have shaped the country's bitter history since independence from Portugal in 1975: the Soviet and Cuban backed MPLA which has ruled the country with an ideological iron fist and the US backed Unita rebels, who have waged a ruthless 16 year civil war against the government.

The peace deal, which will be initialled in Lisbon today, offers the first real prospects for realising Angola's tremendous economic potential in oil, diamonds and agriculture and for rehabilitating the devastated infrastructure. But the transition to peace and democracy in what could be one of Africa's richest countries is fraught with risk.

Sixteen years of corrupt and oppressive one party rule, inefficient central planning and a war which has been waged indiscriminately against civilians has cast a shadow over the credibility of both the MPLA and Unita.

"Most people in Angola want a fresh start with a third political force which is neither the MPLA nor Unita," said Mr Joaquim Pinto de Andrade, president of the recently formed Angolan Civic Association. "We want people whose hands are not stained with blood, death and destruction and whose pockets are not full with state money."

The fact that such statements are now possible marks the rapid pace of political reform since last year, when it was almost inconceivable that the MPLA would relinquish its monopoly of political power.

Last week the MPLA Congress met to abandon Marxist-Leninism and prepare itself for the country's first multi-party elections. But reforming Angola's distorted economy and implementing austerity measures while campaigning for elections in 1992 will be a trying task for the MPLA.

Social unrest and strikes are likely as public sector workers make demands for their long-suppressed economic grievances to be addressed with the end of the war.

Many Angolans, including some senior MPLA officials, also privately fear a return to the anarchic violence and internecine conflict which raged through Luanda in 1975.

Demobilisation will be difficult. Keeping the ceasefire during a process of disarmament and integration of the estimated 150,000 government troops and 40,000 rebels into one national army will be a Herculean effort.

Opposition figures say both sides are already hiding caches of arms in preparation for a renewal of military conflict if things go wrong.

International supervision and aid by the US and Soviet Union will help to reduce tensions but that may not be enough.

There are serious question marks over how genuine the commitment of many MPLA hardliners is to democracy, under which they may be forced to share or surrender political power and the economic privileges which go with it. Few in the MPLA believe they have any chance of winning elections.

When asked how he would sell the MPLA in an election Mr Joao Miranda, vice-minister of information and a progressive in the party, appeared confused.

After hesitating, he said their main electoral appeal would be that "in spite of foreign invasion by South Africa and the war against Unita the Angolan nation did not disappear. It has survived because of the MPLA."

Such an appeal is unlikely to win many votes when the huge debit side of MPLA rule is considered. Much more likely the MPLA's chances of winning any seats in a democratically elected parliament and in managing a peaceful transition will depend on whether they can deliver a higher standard of living.

So far, however, long-overdue economic reforms proposed by a new team of technocratic ministers, including price, trade and exchange rate liberalisation, has been obstructed by MPLA stalwarts.

Unita's chances of political success are generally rated higher than the MPLA's but, but while there have been atrocities committed by both sides many Angolans blame the rebels for the worst excesses of war.

Unita could also threaten national reconciliation by raising the spectre of tribalism which has plagued Angola since Portuguese colonial rule. Ethnicity remains a source of division and Unita has been successful in building a movement out of the Ovimbundu people, the largest single group in Angola.

Mr Andrade, the leading opposition figure to emerge so far, says that unless the government brings together the diverse political forces and associations into a civic forum with real deliberative powers, like in Czechoslovakia last year, the transition will degenerate into political conflict.

"Without a national consensus and a shared sense of responsibility for the transition a collapse into anarchy and conflict is inevitable," he said.

Whether the government or Unita would accept power sharing in the run up to elections remains questionable. But clearly the measures taken so far are merely the first steps in a difficult process of change which could easily degenerate into killing and robbing.

Egypt condemns Israel

By Max Rodenbeck in Cairo

IN ITS MOST harshly-worded attack since the end of the Gulf war, Egypt yesterday accused Israel of blocking Middle East peace efforts.

The policy of building settlements in occupied territories was "aimed at trying to abort ... efforts to promote a peace settlement", said an Egyptian Foreign Ministry spokesman.

Separately, Mr Boutros Ghali, minister of state for foreign affairs, said Israel was creating obstacles over the composition of the Palestinian delegation to a peace conference proposed by Mr James Baker, US secretary of state.

The double-barrelled criticism reflected growing concern in Cairo that the government of Mr Yitzhak Shamir is not serious about achieving a compromise on the Palestinian issue, viewed by Egypt as the key to future regional stability.

The Foreign Ministry statement said that Egypt regarded Israel's recent settlement activity "with much repulsion".

Hinting that a halt to settlement would draw a favourable Arab response, Mr Ghali said that confidence-building measures "must be reciprocal".

Pretoria cuts oil stocks

By Patti Waldmeir in Johannesburg

SOUTH Africa is to raise R2bn (£455.6m) by reducing strategic stockpiles of oil built up as a result of the international oil embargo, and will spend the money on development programmes including projects aimed at ending township violence, President FW de Klerk said yesterday.

However, officials said some R1bn of the total did not represent new funding, as it had already been allocated in the 1991-92 budget announced last month. The balance of up to R1bn might not be available for some years.

Mr de Klerk said the government must first finance energy projects to which it was already committed, apparently including the R8bn Mossgas oil-from-gas project, and noted that normalisation of relations with the international community was a prerequisite for the release of further funds.

The R1bn available during the current budget year would be used to fund projects that would further social stability, he said, noting that township violence had hurt business confidence and put off investors.

France urges EC to keep Japanese car import curbs

By Andrew Hill in Brussels and David Buchan in Luxembourg

FRANCE'S industry minister yesterday called on the European Commission to back EC car-makers' proposals for continuing controls on Japanese car sales in Europe.

Today, all 17 Commissioners will discuss the vexed question of Japanese car imports for the first time since October, with the aim of informing EC governments of their proposals by the middle of next month and restarting negotiations with the Japanese.

"I hope the Commission will agree on a proposal not much different from what the European car producers have put forward," said Mr Roger Fauroux, the French minister.

The European industry seems to have moved closer to the Commission's line on Japanese car imports recently, principally because Mr Jacques Calvet, the hardline chairman of Peugeot, has distanced the group from fellow-producers.

Last month, ACEA, the new industry lobby group, which excludes the French car manufacturer, called for continuing controls until the end 1999, saying the Japanese share of the market should not exceed 15 per cent until then.

The Commission would now like to end months of squabbling between EC member states and manufacturers on the timetable, terms and conditions for opening up the European market to Japanese car imports, but the potential for disagreement is still great.

Today's meeting will consider again outline principles for opening the EC market which were first put forward at the beginning of last year. They include the ending of national restrictions on Japanese imports by the beginning of 1993, Japanese monitoring of its own car exports to the EC for a transitional period to end in 1998, according to first Commission plans, and improved access to the Japanese market.

Commission officials stressed that only imports would be monitored and not "transplants" – Japanese cars assembled in Europe – which they estimate could grow from 250,000 a year at present to perhaps 1.2m by the end of 1998.

The absolute level of imports is expected to rise to a similar level before the EC market is completely open, but commissioners will also consider how far the level of imports should be adjusted if market conditions change.

Mixed credits dispute muddles UK trade outlook

Industry says some export contracts are endangered by official indifference, writes Peter Montagnon

BRITISH capital goods exporters, already alarmed by what they see as government's efforts to undermine the Export Credits Guarantee Department (ECGD), are facing a new worry which has widened the gulf between them and a once supportive government.

The £97m allocated to mixed credits – export credits sweetened by aid – in 1991/2 has been fully committed less than a month into the government's financial year. As a result the Overseas Development Administration has closed the window for new deals till April 1992.

Top executives of companies such as GEC, NEI, Balfour Beatty and Trafalgar House have fulminated privately about the cover restrictions and premium increases imposed by the ECGD. Now they point to the news on mixed credits as confirmation of their worst fears about the government's indifference to their fate.

Without the mixed credit facility – commonly known by the initials ATP, which stand for "aid and trade provision" – they say they will be unable to sign up new orders in important markets such as China, Indonesia, Malaysia, India and Thailand where such financing is regarded as normal.

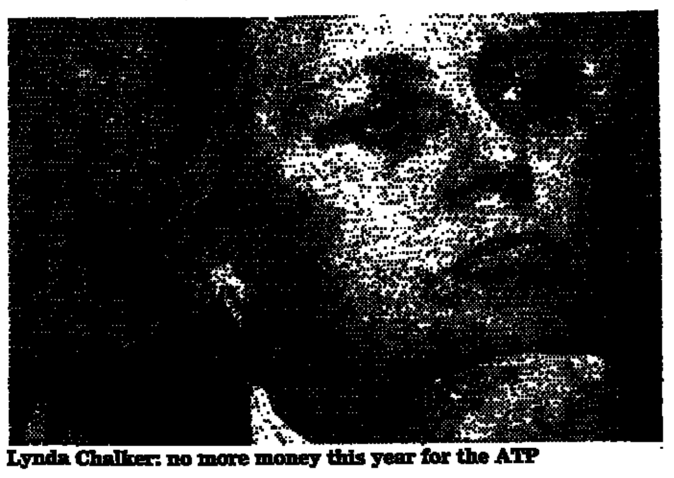
To save deals now in the pipeline for these markets, they must try and delay signing the contract, which makes pricing difficult at a time of high inflation at home. Or they must arrange expensive bridging finance for their customer, or transfer the procurement abroad to a country which is not so stingy about its aid budget.

Government officials are at pains to point out that the closure of the ATP window for the remainder of the financial year does not constitute a change of policy. It has happened simply because the UK's recent remarkable run of success in winning orders with ATP money.

Foremost among these is the £400m order recently won by Cementation International and Balfour Beatty to build a hydro-electric power station in the Malaysian state of Kelantan.

But there have been other deals – for rural communications, railway signalling and track rehabilitation in Indonesia, for the Ankara metro and truck supplies to Zimbabwe – which have swelled the total.

There is, however, little doubt that the lack of much official sympathy for the exporters' plight reflects the fact that large parts of the government have always viewed ATP with scepticism.



Lynda Chalker: no more money this year for the ATP

Though it was originally conceived as a political device to justify an increase in the overall aid budget, the Overseas Development Administration harbours worries about the real developmental value of money spent in this way.

The Treasury is concerned that ATP constitutes another unjustified subsidy to exporters on top of those they already receive through payment of claims by ECGD and routine interest subsidies on export credits.

ATP credits account for some 15 per cent of the ECGD book, officials argue, and the facility adds to the concentration of its business in a limited number of markets.

Exporters say that one reason why there has been a bunching of ATP deals in the current year is that some contracts were delayed last year, particularly in Indonesia, because of uncertainty over the availability of ECGD cover. Now ECGD cover is available, but suddenly there is no aid money.

A look at the figures suggests this smacks a little too much of conspiracy.

The ATP budget was underspent last year, but only by £4.5m out of a total of £98m. This suggests that it would have been difficult to fund some of this year's projects had they gone ahead earlier.

Part of the problem relates to the funding of concessional loans. The government built up a large volume of lasting commitments in the first three-years of its concessional loan programme which ended in March. The result is that part of the ATP budget is automatically taken up with subsidies on loans agreed some years ago.

From this financial year, the system of accounting for such loans is being changed. The government will pay lending banks a sum equivalent to its total grant commitment during the drawdown period of the loan rather than making a series of "pay-as-you-go" subsidies each year until the loan matures. The banks must then devise a technique to spread the subsidy through the life of the loan.

Though the details are still under negotiation between the banks and the City, this will mean that fewer concessional loans can be agreed in future, though it will also obviate the problem of a ballooning ATP budget as more commitments are added to the books.

The simple answer would be to increase the ATP budget. But Mrs Lynda Chalker, the aid minister, told parliament yesterday that additional resources were not available for the ATP in the current year.

Britain has supported efforts in the Organisation for Economic Cooperation and Development to reach a new international agreement limiting the use of mixed credits. With these talks about to climax it would look odd for the government to raise its ATP budget.

In fact, government officials say, they regard the OECD discussions as the best way of dealing with the problem.

Envisaged in the OECD is a tough agreement that will severely limit mixed credits for otherwise commercially viable projects as well as those to richer countries and for large projects.

This is little comfort for exporters who say they do not believe the agreement will be enforceable.

Japan will continue to offer large amounts of "untied" mixed credits which will end up supporting its own exports, they say. Only Britain will end up playing by the new rules.

In the old days, said one executive, the Department of Trade and Industry would have lobbied hard for an increase in the ATP budget.

But Mr Peter Lilley, the secretary of state, is said to be economically dry and unsympathetic. "We haven't had a positive secretary of state in a very long time."

ECGD bid dropped, Page 11

Tokyo urged to open paper trade to competition

By John Thornhill

MR John Georges, chairman and chief executive officer of International Paper, the world's biggest paper company, yesterday urged Japan to open its paper trade to foreign competition, to help develop international trade and allay the mounting frustration of the US Congress.

"The paper and wood products industry is one of those areas where Japanese industry has to open up. Consumers will benefit from the removal of barriers," he said.

Addressing a conference on the world pulp and paper industry organised by the Financial Times and the European Paper Institute, Mr Georges said the world paper industry was suffering from a cyclical downturn and general slowdown in the global economy. But "when I look to 1993 and beyond, I am very bullish about the industry's future."

● The Polish Ministry of Ownership Transformation has appointed Hambros Bank to advise it on the restructuring and privatisation of the country's pulp and paper industry. Hambros will help draw up a sector-wide strategy for developing Poland's 40 paper companies.

Trade-distorting rules 'still holding Indonesia back'

SUCCESSIVE trade policy reforms since the mid-1980s have made Indonesia more competitive on world markets, *but a range of trade-distorting* measures remain in force, with the most difficult areas still to be tackled, Peter Montagnon, World Trade Editor, writes.

This is the broad conclusion of Gatt's first review of Indonesian trade policy, as part of its series of country reports. It shows the extent of the challenge facing a typical developing country opting for trade reform, but urges it to persist, as trade is the key to its economic growth.

Indonesia began a series of trade reforms after the debt shock and the oil price fall of the mid-1980s. Successive trade reforms since then have reduced impediments to structural change.

But Gatt suggests the changes have been too gradual and selective, concentrating on *manufacturing activities with* the least resistance to reform. Competitive pressures led to reversal of reform in some areas. Some industries such as steel, clothing and transportation remain sheltered from international competition. "A more uniform assistance structure would reduce distortions, induce more efficient allocation of resources and help combat inflation by making the economy more flexible and encouraging greater price competition."

Many policy instruments criticised by Gatt are common to the developing world. They include import licensing, import surcharges, local content requirements, countertrade obligations and increasing curbs on exports of unprocessed primary materials, it says.

Indonesia's trade suffers from substantial "tariff escalation", where tariffs on consumer goods are on average over double those applied to capital and intermediate goods. Import surcharges of up to 40 per cent accentuate this problem, so that consumer goods account for less than 5 per cent of total imports.

Gatt notes "bound" or fixed tariff rates apply to under 10 per cent of import items. Sometimes the bound tariff level is exceeded by imposition of an import surcharge. But Indonesia pledges a large rise in tariff bindings, especially on textiles in the context of the Uruguay Round.

Import surcharges to protect domestic industries from fluctuating world prices are common, but are "largely informal, lack public scrutiny, and have no legal procedures available to grieved parties," it says.

Indonesia is considering limiting all import surcharges to one year and has announced plans to scrap about 75 per cent of them this September. Meanwhile, Gatt says the close relations between the government and licensed importers creates uncertainty for suppliers and "promotes a system that may be vulnerable to manipulation".

State-trading enterprises dominate several designated strategic manufacturing industries, such as shipbuilding, steel, aerospace, cement, fertilisers and aluminium. Certain of these sectors are subject to local content requirements, with rules on government procurement requiring foreign suppliers to offer counter-purchase arrangements.

Gatt questions the curbs on Indonesia's exports of natural-resource based products such as logs, raw hides and cement. These depress domestic prices by an estimated 20 per cent in the case of logs bought by local plywood producers, and have a similar effect to a subsidy, it adds.

"Whether Indonesia benefits in the long term from such policies depends on its ability to develop export-competitive processing industries not dependent on continued support through depressed input prices."

Polish telecoms cable link-up

CO-OPERATION between Poland's state railways and its post and telegraph service (PTT) will speed installation of an optical-fibre telecommunications cable linking the north and south of the country.

This is stated by Mr Ole Steen Andersen, group director of NKT, the Danish electrotechnical group providing the cable under a DKr210m (£18.4m) deal, Hilary Barnes reports from Copenhagen.

Twin cables, one for PTT and one for the railways, will be laid alongside the Polish rail network.

Talks are taking place with the Czechoslovak and Hungarian authorities to extend the cable southwards, starting a radical modernisation of eastern Europe's telecommunications network.

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What could be more convenient than facilities in every terminal that guarantee the availability of at least 26 currencies on demand? Especially as exchange rates for currency notes are kept within 1% of those quoted by a major High Street clearing bank (the name of which will be on display). Minimum commission charges offer even better value than those banks.

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AIRPORT SHOPPING

*You may still be liable to various taxes including duty, which will vary according to your ultimate destination. †The average High Street prices are calculated quarterly, by carrying out price surveys of identical products in the UK High Street. These prices, the names of the restaurants and stores concerned and full survey details are available on request. Source: Nielsen Consumer Research Surveys of representative UK High Street stores on behalf of BAA. Nielsen is the world's largest research company. Products subject to availability. The Heathrow Value Guarantee does not affect your statutory rights.

Gradualism 'no answer for E Europe'

By Peter Riddell, US Editor

WASHINGTON 1991

GRADUALISM is no answer to the problems of central and eastern European countries and structural reforms should proceed as rapidly as possible across a broad front, the Group of 10 finance ministers and central bank governors agreed yesterday.

The G10 leading industrial nations broadly endorsed the thrust of a report entitled Issues Raised by the Transition in Central and Eastern Europe, prepared by Mr Lamberto Dini, director-general of the Bank of Italy, and chairman of the group's deputies.

"Gradualism is no good because it is likely to require too many resources, which are scarce," Mr Dini said yesterday. But differences remain about the scale of financial contributions by industrial countries, and about how such assistance should be co-ordinated.

The report stresses that primary responsibility for helping these economies with formulating macro-economic stabilisation policies should remain with the IMF, and for structural reforms rest with the World Bank.

At present, much of the co-ordination of assistance beyond conditional loans provided by the IMF and Bank is handled by the G24 industrial countries and the EC.

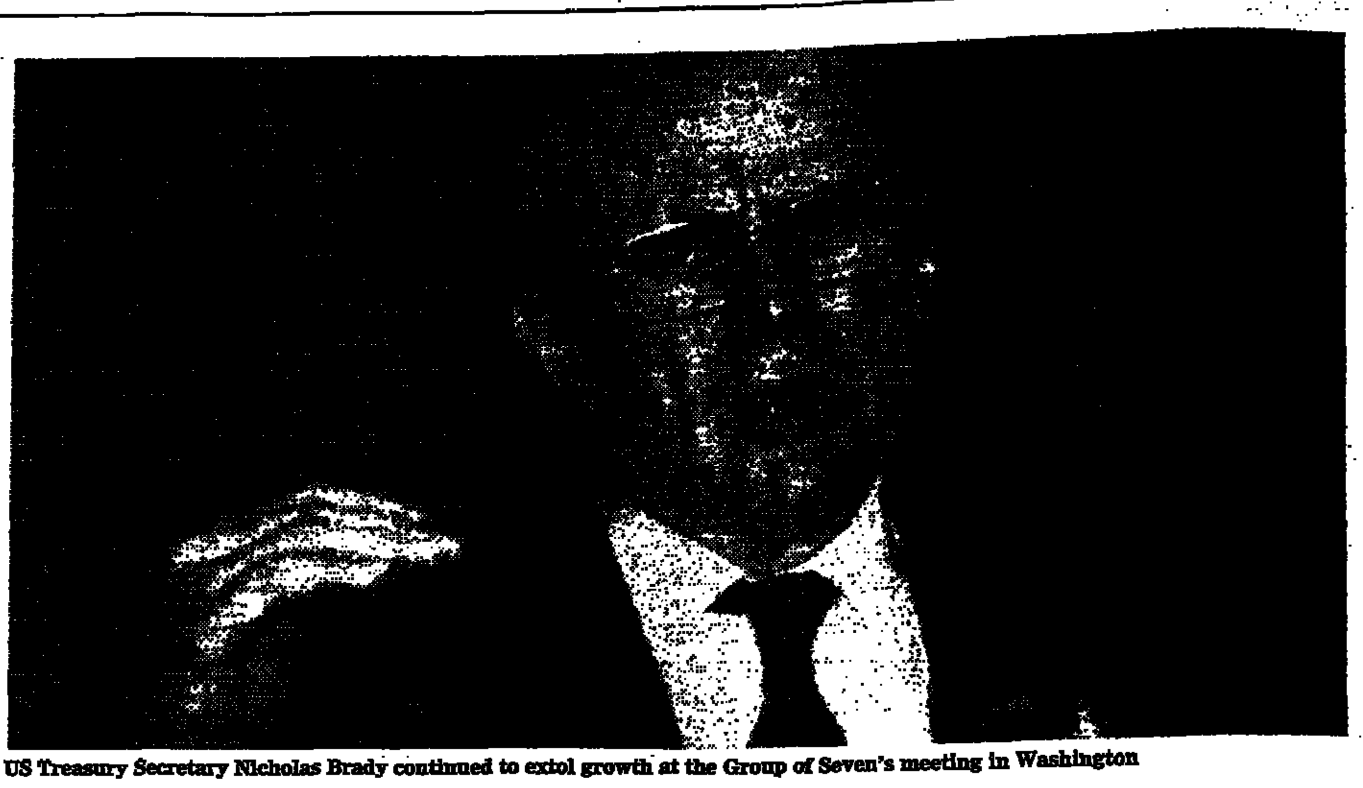
The ministers concluded yesterday that the structure and composition of the G10 made it especially qualified to monitor the degree of official financing in the transition process, assess adequacy of economic strategies and make policy recommendations on issues relevant for the activity of banks and financial markets. But the G10 does not intend to play a direct role in aid co-ordination.

Some European countries fear they may have to bear too much of the burden of this help. Mr Pierre Bérégovoy, French finance minister, said yesterday that EC members of the G7 believed there should be proper burden-sharing with the 12 Community members accounting for 50 per cent of the overall support for these countries.

Other European countries not in the EC should contribute 15 per cent, with 35 per cent coming from the rest of the world, notably the US, Japan, Canada and Australia. The issue has in part arisen because the US has said it will contribute just \$15m (£8.8m) to a \$1bn balance of payments stabilisation fund for Czechoslovakia.

The G10 report, which does not cover the Soviet Union, stresses the importance of establishing full private property rights and introducing a market-based price system in central and eastern European countries.

These countries needed to expose themselves to international competition and industrial countries needed to open their markets to imports from eastern Europe.



US Treasury Secretary Nicholas Brady continued to extol growth at the Group of Seven's meeting in Washington

Brazil seeks to reopen financial links

By Christina Lamb in Rio de Janeiro

BRAZIL'S government economics team and much of its cabinet is in Washington as part of an offensive to reopen channels with the international financial community.

Ms Zélia Cardoso, economy minister, is to begin talks today with the International Monetary Fund in the hope of negotiating a \$2bn stand-by facility.

A letter of intent signed with the IMF last September was torn up after Brazil had failed to meet targets such as a 6 per cent monthly inflation rate by December, and because of perceived foot-dragging on reaching agreement with creditor banks over more than \$8bn in arrears.

Terms were agreed with the banks this month, allowing Brazil to reopen negotiations with the fund. However, continuing economic instability in Brazil makes a new accord unlikely in the near future, as Ms Cardoso admits.

This time, the Brazilian team will refuse to commit itself to specific targets for inflation, having learnt its lesson last time. Inflation is between 7 and 9 per cent a month, but most prices and wages are frozen and controls are on all sectors.

While Ms Cardoso is with the IMF, Mr Ibrahim Eris, central bank governor, is meeting Mr David Mulford, US Treasury Under-secretary, and commercial bank heads to discuss opening negotiations on the stock of Brazil's \$63bn commercial bank debt.

John Barham reports from Buenos Aires: Uruguay, South America's only offshore banking centre, has introduced new banking guidelines to discourage money laundering. The central bank has issued the recommendations to Uruguay's 240 banks, banking houses and exchange houses, in response to US concern that Montevideo might be providing a haven for drug money.

More help offered to Third World cities

By Stephen Fidler

THE World Bank has agreed a significant shift of its policies towards urban development in the light of the rapid growth of Third World cities, bank officials said yesterday.

In the past, the Bank has tried to address urban problems mainly through lending for housing and other narrowly-based projects.

The new approach, taking account of the expectation that by the year 2000 half the population in the Third World will live in cities, will attempt to make urban development an important component of its overall development strategy.

It will aim to encourage the improvement of urban productivity and reduce the impediments to growth. Bad urban infrastructure was hurting productivity. For example São Paulo in Brazil had twice as many cars as telephones, so congestion was inevitable.

The focus would include attempts to lighten the regulatory restrictions on growth of private businesses, to tackle the weakness in many local governments and to address weak financial systems which were ineffective in providing finance.

A new emphasis would be to tackle urban poverty. Mr Michael Cohen, the principal author of a World Bank report published yesterday – Urban Policy and Economic Development: An Agenda for the 1990s – said many middle class people had been pushed below the poverty line by the economic reforms of the 1980s. He emphasised the importance of education and health in alleviating poverty.

The bank would also focus on arresting and reversing the environmental deterioration that accompanied rapid urban growth. It would try also to improve knowledge of urban problems. A lack of research was hindering efforts to counter the problems of cities.

Peruvian banking and finance liberalised

By Sally Bowen in Lima

THE Peruvian financial system is to be shaken up in favour of market forces after the first big change in the country's banking law for 60 years.

The new law, promulgated last week by President Alberto Fujimori, lets financial institutions to set their own interest rates and reopens the country to foreign banks. It also lets public sector companies become clients of private banks. This has been well received by local banks, finance institutions and insurance companies.

The previous, ill-fated bank nationalisation law promulgated by former President Alan García in 1987 was derogated by the Peruvian Parliament last December. The announcement of the present law, issued by decree under a faculty granted to the Executive at the same time, came at the eleventh hour - the very day the faculty expired. Some four hundred articles regulate financial operations in considerable detail. In an attempt to curb the parallel or informal banks which have mushroomed in Peru over the past few years, the law gives banks, finance and insurance houses three months to constitute themselves as limited companies or co-operatives. Institutions will have, however, two years to meet the minimum capital requirements under the new regulations.

The new law curbs the power of the Central Reserve Bank. It will no longer fix interest rates. They will be determined by the market, with the BCR setting a top limit.

Competition between banks has been increasing in recent weeks as they vie for workers' severance pay. Recent provisions allow workers to designate the financial institution to receive such funds. It is estimated this may mean up to the equivalent of \$150m in new business this year. Announcing the main provisions of the law, Mr Fujimori emphasised the creation of a guarantee fund to protect depositors, especially small savers, in the event of bankruptcy.

Dominican Republic escapes US sanctions

By Canute James

THE UNITED States has concluded that there are no grounds for implementing trade sanctions against the Dominican Republic over the treatment of Haitian migrant workers.

The calls for sanctions, including the removal of preferences granted under the Caribbean Basin Initiative, followed claims by human rights organisations that Haitian workers, particularly those in sugar cane fields, were being mistreated.

The human rights organisations said the conditions under which many Haitians were working in the Dominican republic amounted to forced labour.

Haiti and the Dominican Republic share the island of Hispaniola. A shortage of field labour in the Dominican Republic has attracted workers from across the border.

Unemployment in Haiti is 60 per cent, and wages are low. The charges led the office of the US Trade Representative to start an investigation two years ago, and last year President Jaoquin Balaguer of the Dominican Republic ordered all employers of Haitian workers to provide the government with information on the condition of their employees.

The president also decreed that all contracts made out to Haitian workers should be in Spanish and Haitian creole, so the workers would be clear on the terms of their employment.

There are an estimated 750,000 Haitians in the Dominican Republic, most of whom are believed to have entered the country illegally. They are employed in cane fields, rice and coffee farms and in the construction industry.

The US report, which is unlikely to appease the human rights organisations, said there had been improvements in workers rights and the conditions of Haitian workers in the Dominican Republic.

US personal consumption spending up in March

By Michael Prowse in Washington

US SPENDING on personal consumption rose modestly in March, for the second month in succession, the Commerce Department reported yesterday.

Separate figures showed a small increase in the sales of new houses – another sign that the US housing market is recovering slowly.

After allowing for inflation, personal consumption rose 0.5 per cent in March over February. This followed a 0.8 per cent increase in February and a fall of 1 per cent in January.

The increase partly reflected lower personal saving in recent months. Real personal incomes rose only 0.2 per cent last month, having fallen 0.8 per cent in January and remained flat in February.

The small increase in incomes and spending is contrasted with continuing falls in production and employment. For the first quarter as a whole, real gross national product fell at an annual rate of 2.8 per cent.

Sales of new houses rose 1 per cent last month to a seasonally adjusted annual rate of 490,000. This followed an 18.5 per cent jump in sales in February over January. The market, however, remains relatively weak.

Sales volume last month was still 12 per cent below the level of a year ago.

EIB may lend to Latin America

By David Gardner in Brussels

THE EC is to consider allowing the European Investment Bank (EIB) to finance projects in Latin America, one of the few regions to which the Community's development bank does not lend.

This was the main result of a weekend meeting in Luxembourg of the foreign ministers of the 12 and the Rio Group of the 11 main Latin American countries.

The European Commission is expected to put the issue to foreign and finance ministers of EC member states next month. It was agreed, meanwhile, that work would start on evaluating specific candidate projects, probably in river transport and electricity transmission.

The EIB only carried out 5 per cent of its Ecu13.4bn (£9.25bn) lending outside the EC last year but it is the largest supranational borrower on international capital markets.

Debt-beset Latin American countries would welcome not only the project finance but the EIB's seal of approval, a senior South American diplomat said.

US may accept compromise on Antarctic mining moratorium

By Peter Bruce in Madrid

THE US is considering making a significant foreign policy reversal after agreeing yesterday to study a plan that could prevent mining in the Antarctic indefinitely.

The US appeared to soften its opposition to a total ban after Spain and Norway presented a last-minute compromise to a consultative conference of Antarctic Treaty members in Madrid.

The new draft protocol centres on agreeing a 50-year mining moratorium which could be lifted by agreement of a 75 per cent majority of the treaty's consultative members, whose numbers are likely to have increased by then from the present 26 countries.

That, crucially to US sensitivities, would break the treaty's 30-year tradition of decision-making by consensus. But, in order to satisfy Australia and France, which support an eternal mining ban, the draft protocol also says all current 26 consultative members would have to be included in the 75 per cent.

As things stand now, that would give any one of the countries opposed to mining – by far the majority in Madrid – a veto on lifting the moratorium. But Mr Curtis Bohlen, the chief US delegate, insisted that, if accepted by all delegations, Washington might accept it "because it is clearly not a permanent ban. It does not foreclose the option of a future generation deciding for itself, which is what we have wanted."

Mr Bohlen, said the proposals represented "a major step" by all 26 countries involved in the consultative process. He said he had passed the draft on to Washington for study, implying that he had seen sufficient signs of movement from Australia to prompt a shift in the US position. "We were at a total deadlock on Friday," Mr Bohlen said.

Mr John McCarthy, head of the Australian delegation, which came to Madrid last week determined to defend an eternal ban on mining, said after hearing the proposals: "I think one can now look forward to the conclusion of (an) agreement before the end of the year with a lot more optimism."

The delegation from the UK, which supports the US position, was not commenting on the new proposals, but is also expected to take them back to London for consultation.

The Madrid meeting is the second session of a consultative conference begun last year in Chile and Mr Bohlen said a third session could be called quickly, perhaps in June, to ratify a new agreement.

The US, however, appears to have won an important concession of its own as the draft protocol suggests that a key environmental protection committee being established under the treaty not be given decision-making powers.

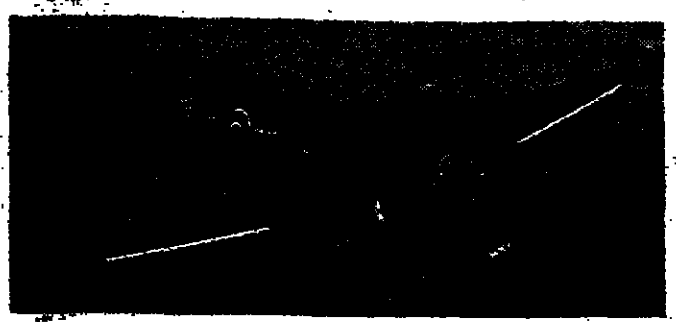
Washington and London had feared that the committee would become quickly politicised.

The draft protocol to the treaty says the committee should act only in an advisory capacity to the consultative members, who would have the final say on any environmental matters.

Apart from mining, the draft protocol says decisions in future could be taken by a simple majority.

This is seen as a further concession to US frustration at the treaty's consensus tradition.

World War Two Spitfire unsold as auction bids reach £720,000



Auctioneers Christie's yesterday offered the finely restored Mark IX Spitfire pictured above as part of an auction of historic aircraft, engines and aviation memorabilia at the Science Museum, near Swindon, southern England. Built in 1943 and one of only a score or so survivors likely to appear on the market, it saw active service in Italy, where it shot down two enemy aircraft on one day in May 1944.

It had less luck yesterday and was unsold when the bidding reached £720,000.

Further blow to export credit privatisation

By Peter Montagnon, World Trade Editor

SUN ALLIANCE, the UK's biggest household insurer, has pulled out of the bidding for the short-term credit insurance business of the Export Credits Guarantee Department (ECGD).

The move leaves only three of the original six potential bidders still in contention. Analysts say that Assicurazioni Generali of Italy and NCM of Holland now appear to be the strongest candidates.

Sun Alliance, long conspicuous for its lack of aggression as a bidder, said prospective net premium income, estimated at £22m, did not justify the considerable resources required to integrate ECGD into its other operations.

It was also concerned that the reinsurance arrangements being negotiated by the government with the private sector might lack "robustness" in the longer term.

As a result it had decided that the acquisition of the business would not fit in with its domestic activities or its expansion plans for Europe.

Its decision will come as a further blow to the government which has been struggling to push the sale through against vehement opposition from the export industry. Eagle Star, the insurance subsidiary of BAT Industries, and Belgium's Cobac have already pulled out.

Bids must be submitted by noon today. Trade Indemnity, the UK company which dominates the domestic market for credit insurance, NCM of the Netherlands and Assicurazioni Generali of Italy are expected to bid.

Insurance market specialists say the chances of the Italian company winning the race have improved recently. It lacks the direct experience of credit insurance of the other two contenders, but has a strong balance sheet and the overall size of its operations give it considerable clout in the vital reinsurance market.

Trade Indemnity's image was tarnished by its announcement of a £29m loss last year as the UK recession brought a string of claims on bankrupt companies. Brokers say it would need to persuade its reluctant shareholders - mostly other insurance and reinsurance companies - to subscribe to a rights issue to create the resources for a bid. The company declined to comment yesterday.

NCM, which also acts as the Dutch government's official export credit insurer, is recently announced net profits for 1990 up 18 per cent to Fl33.6m. It said last week it believed it had a substantial chance of winning the battle.

UK companies urged to help communities

By Alan Pike

COMPANIES are being urged to support a Community Investment Charter pledging commitment to partnership between business, government, local authorities and voluntary organisations in urban and rural regeneration.

The charter, launched in London yesterday with the support of Mr Kenneth Baker, the home secretary, is being run by the Community Development Foundation, a charity involved in supporting regeneration. Founder signatories include Barclays Bank, British Gas, BP, British Telecom, IBM, Laing, Peat Marwick McLintock, J Sainsbury and Whitbread. The initiative is supported by the CBI, Institute of Directors and Business in the Community.

Divided, disrupted and unhappy communities were not good for business, said Mr Baker. There was a need for a "series of partnerships right across our society" involving business, public and voluntary bodies

Companies signing the charter will undertake to invest in local people's efforts to improve their own communities as part of their corporate giving programmes. The charter declares its support for "the development of public policies that enhance the quality of life of Britain's urban and rural communities."

TNT may get access to British postal network

By Roland Rudd

THE BRITISH Post Office is considering opening up its postal network to private couriers, such as the Australian based delivery company TNT.

In anticipation of the European Commission's long-awaited green paper, or discussion document, on liberalising postal services, the Royal Mail is looking at new proposals to introduce more competition into the industry. The Post Office at present has a monopoly on all letters under £1.

It is compiling a detailed account of the costs of sending a letter to enable it to draw up a pricing structure for the use of its services.

Private couriers such as TNT, and DHL, the international courier, would then be able to pay the Royal Mail to deliver the final leg of its letters in rural areas.

The concept is similar to the interconnection already in place in the telecommunications industry where long-distance phone companies such as Mercury can pay BT to route the final part of a call.

Mr Bill Cockburn, managing director of the Royal Mail, said: "In order to be able to offer a delivery network to other companies we want to have a more detailed understanding of our costs.

"If a company has no presence in a particular part of the country then we may be able to offer them our services for the right price."

Mr Alan Jones, managing director of TNT, said: "This is a very interesting idea. We will monitor it with great interest."

However, private couriers such as TNT may only decide to make full use of the Post Office's services if the government abolished or reduced its monopoly on letters under £1.

The move by the Royal Mail to conduct a detailed account of its costs follows the disclosure that the Department of Trade and Industry is looking into the Post Office's finances as a prelude to the possible privatisation of the enterprise.

Mr Cockburn also revealed that the Royal Mail is conducting its investigation of its costs with the Post Office Users' National Council, a government watchdog.

The Council is likely to have confidential access to all the figures.

Mr George Brown, a member of the council's executive, said: "We hope to get to the bottom of how every penny of the first and second class stamp is spent."

Meanwhile, the Post Office published figures showing that 85 per cent of first class letters arrive the day after they were posted. The figures represent a 7.4 per cent improvement in first class mail reliability.

The figures also showed improvements in delivery times for long-distance and local mail.

It said the improvements were due to changes in the way mail is delivered in the country, including the use of aircraft and a shift away from the rail network to road.

BRITAIN IN BRIEF

Airports to offer refunds on purchases

Passengers travelling through Heathrow and Gatwick airports near London are to be guaranteed refunds if they are dissatisfied with purchases at the airport, according to a new plan.

Airport authorities are working with retailers to underwrite the scheme, which will soon apply at all the British Airports Authority's airports. It is intended that the new scheme will improve the image of airport shopping.

"Although there are costs involved for us, we hope to make this up by increasing sales to more satisfied customers," said BAA chief executive Sir John Egan.

Refunds will apply to shops, catering outlets, exchange bureaux and car rental offices. Customers will be allowed to return goods even if they have taken them home and are dissatisfied on grounds of price or quality.

Labour plans training revamp

Plans to overhaul post-16 education and training, including abolition of the A-level, have been announced by the opposition Labour party.

Mr Jack Straw, Labour's education spokesman, said in launching the proposal: "It is now a national imperative that we end the present jungle of more than 200 qualifications and replace it with a single coherent framework of 16-19 qualifications combining the academic and the vocational."

Jack Straw: urged end to qualifications "jungle"

Labour plans to create a single post 16-year-old qualification for academic and vocational studies, to be called the Advanced Certificate for Education and Training.

It will eventually replace the A-level, the Business and Technician Education Council courses, and the host of other existing vocational qualifications.

Britain's crisps in Euro-crunch

British snack-makers face a battle to keep exotic crisps on sale in shops and public houses as European Community officials vowed to press ahead with plans to ban artificial sweeteners used in flavourings.

Sweeteners used in flavourings such as prawn cocktail, tandoori chicken, tomato sauce and other crisp varieties were a risk to children's health, Brussels said.

The EC proposals would ban snack-makers from using common sweeteners such as aspartame and saccharin in crisp flavourings after 1992.

Snack-makers want their products exempted from the ban.

Kuwait contract likely for UK

A British consortium is in line to win a major contract in helping to tackle the blazing oilfields of Kuwait, Energy Secretary John Wakeham has said.

The Kuwaiti-British Fire Group was asked to carry out a damage survey in one of the oilfields, which could lead to a bigger deal later.

The group is made up of three large firms – Amec, Taylor Woodrow and Wimpey – as well as a number of specialised sub-contractors.

John Wakeham: optimistic on Kuwait contracts

Mr Wakeham was speaking after returning from a three-day visit to Kuwait with a dozen leading oil experts and businessmen aimed at winning contracts for British firms.

Rifkind urges BR sell-off

Transport Secretary Malcolm Rifkind said he wanted to see "a substantial part" of British Rail privatised during the lifetime of the next Parliament.

But he pledged that any break-up of British Rail's monopoly – a key demand among Tory right-wingers – would involve safeguards to rail users on unprofitable routes.

Mr Rifkind said the Government was considering opening up the use of the existing rail networks to new operators to encourage maximum use.

Rover cars for Siberian police

Police in Siberia will soon be on the trail of criminals in British-made Montego cars.

The Rover Group has broken into the market in the Soviet Union with an initial order worth £1m for 144 Montegos. The 1.6 litre cars will be supplied to the Siberian city of Tobolsk and 29 will used by the regional police force.

One Montego will become the official chauffeur-driven car of the city's Bishop Dmitry, and the others will go on sale to companies and Russians with enough roubles.

Nigel Judah

Nigel Judah, who died on April 26, aged 60, was responsible for Reuters' finances during the news agency's spectacular growth over the past three decades.

Nigel Judah: presided over Reuters' financial success

Mr Judah joined Reuters as an accountant in 1955. When he became secretary and chief accountant in 1960, Reuters' revenues were £2.4m, and it was making a loss of £18,000. When he handed over his financial responsibilities in 1990, revenues were nearly £1.4bn and company profits £320m.

UK NEWS

Jobs cut at top retailing group

By John Thornhill

MARKS and Spencer, the international retailing group which for decades has been seen as a model of paternalism, is to shed 850 jobs in the next few days in the face of the most severe retailing conditions in a decade.

The decision follows a six-month review of the company's head office functions under the direction of Mr David Sieff, director for corporate affairs, and a separate reappraisal of its store management requirements.

Mr Sieff said the job cuts would "create a more efficient and effective head office that does not burden the business with excessive costs", would simplify decision making and would provide greater job satisfaction among the company's staff.

The cuts fall into two distinct areas. About 300 of the

company's 4,750 head office staff are to be made compulsorily redundant and an additional 250 posts are to be phased out by means of natural staff turnover, early retirement and voluntary redundancy. But 300 of the company's 1,100 junior managers will also be made redundant as a result of a low turnover of staff.

A spokesman for M and S explained: "When you set targets for recruitment you assume a certain percentage will leave at some time during their training period. What has happened over the past 18 months is that turnover has dropped dramatically. We have far more people at this level than we expected."

The company said it would be making generous redundancy payments, based on length of service and seniority, which would be well above statutory entitlements.

But the central London headquarters was gripped by gloom and confusion after M and S management decided they wanted to speak individually to all 300 employees who were being made redundant compulsorily.

Uproar over health service reforms

By Alan Pike and Emma Tucker

THE GOVERNMENT sought to calm the uproar over its health service reforms yesterday with Mr William Waldegrave, health secretary, accusing the opposition Labour party of stirring up a "bogus pre-election row" ahead of Thursday's local government polls.

There were clashes in the Commons after the Labour Party had produced a leaked document which, it said, showed that managers at Guy's Hospital, London, knew they faced serious financial problems two months before the hospital became a self-governing trust.

The document indicated that managers of the Guy's and Lewisham trust realised that it faced "very serious financial problems in relation to maintaining the volume and present range of services provided". It went on to say that the management had been trying to establish the most equitable distribution of cuts necessary to "minimise the inevitable reductions in Direct Patient Care Services".

When the health reforms came into effect on April 1, 57 hospitals and other services became self-governing trusts, running their own day-to-day affairs. Within a month Guy's has announced that it is seeking 600 redundancies and the Bradford Hospitals Trust, West Yorkshire, 300.

About 120 more hospitals and services are considering becoming trusts next April. Mr Robin Cook, shadow health secretary, yesterday called on Mr Waldegrave not to approve any further applications until after a general election. "He cannot press ahead with the second wave of opt-outs while hospitals are already foundering in the first wave," he said.

During angry Commons exchanges Mr Waldegrave defended the reforms, saying the government should not interfere in the management of hospitals. "In a service that employs over a million people, it would be ludicrous if ministers or civil servants attempted to run the service from Whitehall." He denied that the trusts had "secret" business plans.

Mr Simon Hughes, the Liberal Democrat MP whose constituency includes Guy's, met Mr Peter Griffiths, the hospital's chief executive, yesterday. He said afterwards he was far from satisfied that cutbacks could be made without serious consequences for patient care.

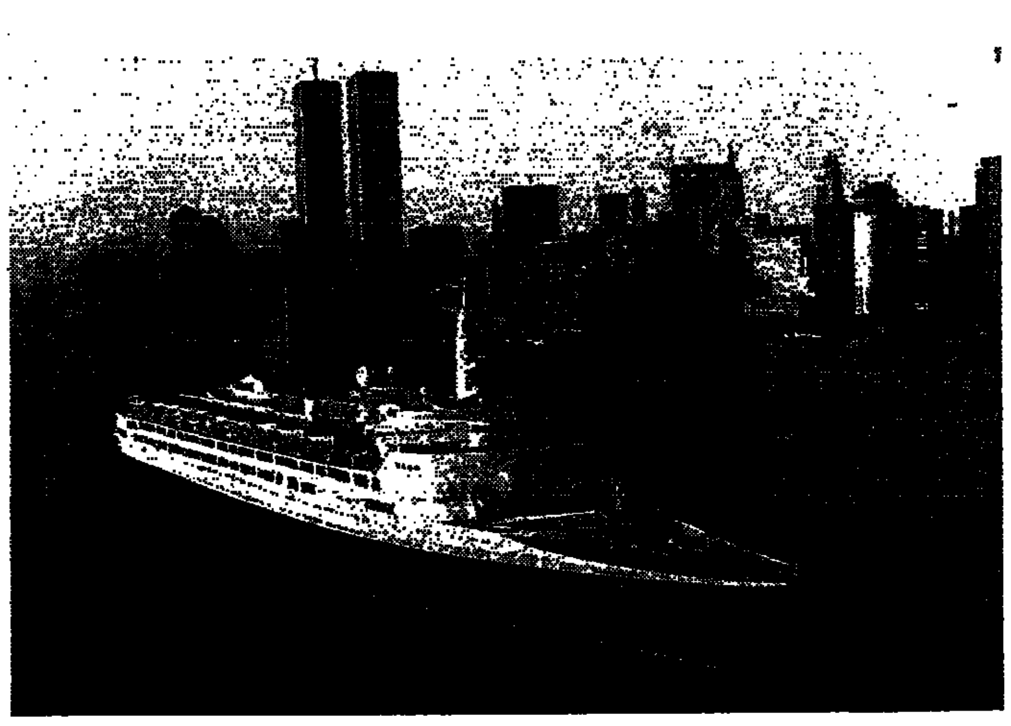
Mr Hughes said he had been told during the meeting that it was likely there would be fewer that 150 redundancies at Guy's, with the remaining job cuts being achieved by unfilled vacancies. When hospital managers announced their plans to staff last week they said that they would "attempt to avoid compulsory redundancies."

"It was known that there was going to be a deficit at the end of the last financial year when the plans were put up to the Secretary of State, although the amount was not specified," said Mr Hughes.

The British Medical Association council meets tomorrow to consider a refusal by Mr John Major, prime minister, to meet the BMA to discuss NHS funding.

Swedes test propeller design for possible QE2 successor

By Andrew Baxter



Glyn Genin

The QE2 pictured leaving New York harbour: the latest in Cunard's world-famous line

A SWEDISH subsidiary of Vickers, the UK engineering group, is testing propeller designs for a possible Cunard ocean liner that may become the successor to the 23-year old QE2.

Cunard Lines, owned by Trafalgar House, the UK conglomerate, yesterday described as "entirely speculative" a report of a top-secret project, codenamed Q5, to design a liner to replace the QE2.

It is known that KaMeWa, part of Vickers' marine engineering division, is studying propeller designs for a model of a Cunard liner. KaMeWa, acquired by Vickers in 1986, has one of the world's largest facilities for research into propulsion technology.

Trafalgar House said it was always looking at a variety of possible ways forward for Cunard, but otherwise had no comment on the report.

If the project were to go ahead, UK shipyards would face strong competition for the order from yards in continental Europe that have specialised in cruiseships.

It is understood that the liner would not be bigger than the QE2, thus allowing it to pass through the Panama Canal.

Trafalgar House described the report as longer on imagination than hard fact.

KaMeWa is the world's biggest manufacturer of controllable pitch propellers. The blades' pitch can be altered, changing the speed or direction of the ship, whereas conventional propellers are turned by a shaft of varying speed.

Mercury calls on watchdog to reduce cost of BT network

By Hugo Dixon

MERCURY Communications is urging Oftel, the telecommunications watchdog, to reduce charges it will have to pay for using the network of its larger rival, British Telecom.

Mercury has joined others in the industry, such as cable television companies and British Rail telecommunications, in criticising Oftel's proposals on how the interconnection charges between networks should be calculated.

The industry says Oftel has been too generous to BT, creating the danger that the government's policy for increasing competition in the telecommunications sector, announced in last month's policy document, may be thwarted.

Speculation is widespread among analysts and in the industry that Sir Bryan Carsberg, Oftel's director-general, has shifted his position in BT's favour in recent months as the result of pressure from the government in the run-up to its sale of a second tranche of BT shares.

Mr Peter van Kuylenberg, Mercury's chief executive, said Sir Bryan's arguments were now "180 degrees out of phase" with what they had been.

Sir Bryan has refused to comment on the dispute over interconnection charges, but he is likely to issue a statement in about two weeks in an attempt to clarify his policy.

Mercury, which has been remaining quiet publicly in the hope of increasing its leverage, believes there is still everything to play for. "The whole matter is very much in the process of consultation," Mr van Kuylenberg said.

The main point of contention is Oftel's suggestion that rivals should contribute to BT's "access deficit" whenever they use the company's network.

British Gas yields to price code

By Deborah Hargreaves

BRITISH Gas yesterday agreed to proposals that will impose tough new controls on the prices it charges 17m households for gas. The company also agreed to meet new targets on service standards, accepting that failure to do so could result in new price cuts.

The proposals, which were drawn up by the Office of Gas Supply (Ofgas), the gas industry regulator, limit the amount by which prices to domestic customers can rise in line with inflation for 5 years starting next April. If inflation is low, consumers could even see a cut in gas prices.

But the new regime will put severe pressure on British Gas to cut costs internally and could result in a round of job cuts.

The new formula means that British Gas can raise prices by 5 percentage points less than the annual rate of inflation as opposed to 2 percentage points below inflation under its current formula. The new price regime also puts a ceiling for the first time on the cost of North Sea gas price rises that it can pass on to consumers.

This is intended to give the company an incentive for negotiating cheaper gas supplies and for running its own fields as efficiently as possible.

The ceiling indexes the cost of gas using 1990-91 costs as a base year and takes off an efficiency factor of 1 per cent which is cumulative.

British Gas has agonised over whether to accept the new proposals and the company said yesterday the targets would be tough to meet. "It was not an easy decision," said Mr Bob Evans, British Gas chairman, "but we are confident we can continue to generate a satisfactory rate of return and profitability." The alternative to accepting the proposals would have been an embarrassing clash with the regulator and an inquiry by the Monopolies and Mergers Commission.

For the first time, the new price formula links efficiency targets to public standards of service in response to consumers' concerns that cost cuts not be achieved by a reduction in the quality of service. Ofgas will monitor British Gas's response time, for example to gas leaks, and if it consistently fails to meet the standards set, it can be turned over to the MMC which could impose further price cuts as a penalty.

In a bid to encourage energy efficiency, the new formula allows British Gas to add on the cost of energy saving measures to consumer prices. This will offset the cost of helping consumers to put conservation measures into place.

Mr James McKinnon, the director general of Ofgas, called the package fair and reasonable. He said it would mean "better value for money with tougher price controls, guaranteed standards of service and pressure on British Gas to perform more efficiently than ever before."

Brooke opens talks on political future of Northern Ireland

By Our Northern Ireland Correspondent

MR PETER Brooke, secretary of state for Northern Ireland, opens talks on the political future of the province today, with all parties pledging to do their utmost to reach an historic agreement.

Speaking in Belfast yesterday Mr Brooke said he had been impressed by the way all sides were approaching the dialogue.

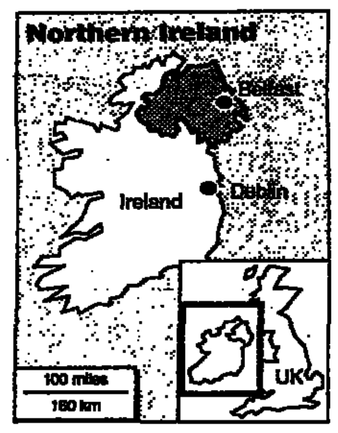
He said: "I have the same feeling I had when I announced *the talks a month ago — that it* is a good thing for constitutional politicians and the two governments to have agreed a basis to sit down and talk.

But I hope we can make more of that and use the opportunity to make successful agreements on a wide range of issues."

Today he will open bilateral talks with Northern Ireland's main constitutional party leaders, starting with the nationalist Social Democratic Labour party and moving on to the moderate Alliance party this afternoon.

Unionist leaders are expected to meet Mr Brooke on Friday.

The four constitutional parties involved have been preparing their position papers for the talks, which start with the internal government of the province.



Dublin will join in the talks when they broaden to cover relations between north and south Ireland and between London and Dublin.

Today's meetings are expected to concentrate on the agendas for plenary sessions due to get under way next week.

Mr Brooke said the acid test would come at the end rather than the start of the process.

At the weekend Mr Brooke said that those taking part in the talks "will see off the terrorists". Mr Brooke made his prediction after a meeting of the 1985 Anglo-Irish Agreement, meeting sof which have been suspended until July 16.

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TECHNOLOGY

Science and the economy

An increase in science and technology teaching at all levels of the education system is essential if Britain is to flourish economically, according to a report* published yesterday by the Advisory Council on Science and Technology (Acost).

In spite of past efforts to improve the image of science and technology in schools, the study reports that many young people give up studying science as soon as they can.

Acost, which advises the UK government on its education and science policy, has come up with seven proposals which it believes could help improve Britain's economic growth:

- The number of qualified science and technology teachers should be increased, if necessary by paying them more than their counterparts in other subjects.
- Education from the age of 16 upwards should be broadened to encourage scientific subjects to be incorporated in arts or social science courses.
- Degree courses should be made more useful to students and relevant to employment.
- An optional fourth year of study should be introduced for scientists or engineers who want to go into research
- There should be more opportunities for mature students to return to studying science and technology subjects.
- New learning technologies, such as inter-active video systems, should be used in higher education to help make lecturers more productive and so expand the number of students taught.
- Employment practices should be improved to provide career development which is on a par with those in other professions.

On the last point Andrew Bain, chairman of the working group that investigated the employment of scientists in industry and business, said that in terms of pay the worst employer for experienced scientists is the government.

Della Bradshaw

**Science and Technology: Education and Employment*, HMSO Publications Centre, PO Box 276, London SW8 5DT. Price £8.95.*

Ian Holdsworth reports on the struggle to devise a computer standard to cover the world's languages

The script with double meaning

Imagine that your word processor had all the writing scripts of the world at its beck and call. Your invoices to Moscow would be rattled off in Cyrillic characters, your orders to Tokyo would sport beautiful strings of Kanji, and even your personal letters to Paris would have the proper accents.

Unfortunately for linguists, today's computers are not up to the task: an Indian computer cannot handle Hebrew any more than a Greek one can master hieroglyphics. Even an American computer is liable to charge a British customer in dollars when it really means pounds – the same coding represents both currencies.

For many years now, official standards bodies have agreed that there should be an international system enabling all computers to handle the entire range of graphic characters in use around the world, even if the keyboard was used to access only a small porportion of the characters. Computer suppliers would like this because it could offer them inroads into foreign markets.

Until now, such a global system has seemed out of reach. This summer, however, sees the emergence of not one, but two, solutions to the problem.

Either system on its own could provide the necessary lead, but if the world ends up with both of them the computer industry could continue in a state of linguistic chaos well into the next century.

One of the systems is the work of the International Standards Organisation. Draft international standard 10646 is the culmination of seven years' work by ISO in encoding all the graphic characters of the world. It comes of age in June when 22 countries will finish voting on whether to convert it into an actual standard.

But just as 10646 has started its final lap, a rival has run on to the track. Some of the same companies that have worked on 10646 have simultaneously been taking part in another project to develop a simpler alternative which they believe is more commercially acceptable. This system, called Unicode, has already been sent out for evaluation to some 500 computer companies.

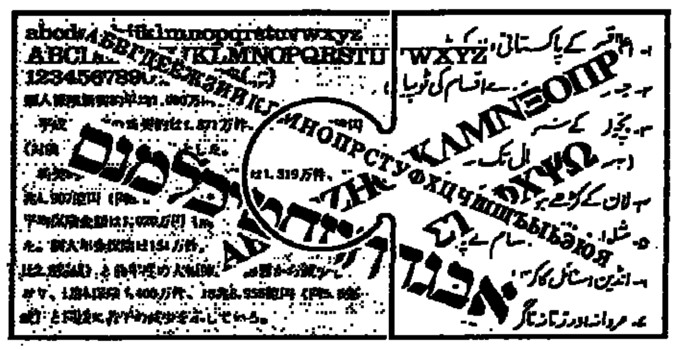
With the code due to be published in loose-leaf form next month and as a book later in the year, it could soon build up commercial momentum.

ISO is therefore in a quandary. If its own standard goes ahead and wins approval, the world may end up with two standards. On the other hand, if 10646 fails to win approval, then by the time it comes round in revised form for another vote, Unicode may be far enough out in front to make 10646 seem meaningless.

In an extraordinary move just two weeks ago, the ISO committee that developed 10646 recommended a negative vote in the forthcoming international ballot. Significantly about half of the committee members responsible for the decision were also members of the Unicode consortium. The committee's advice, which will form the basis of the US vote, seems to express a determination not to permit the existence of two standards.

However 21 other countries are also voting in June, and many are likely to vote yes. Japan is one of these, because 10646 contains the official Japanese system for classifying characters, unlike Unicode which unifed similar characters from different languages such as Japanese, Chinese and Korean.

An impressive array of companies has been involved in developing both 10646 and Unicode. 10646 is the work of a committee comprising representatives from many of the world's leading computer companies including IBM, Xerox, Unisys, Apple, Digital Equipment, AT&T, Hewlett-Packard



and Microsoft. Unicode, meanwhile, sprang from a consortium of 22 US companies, again including IBM, Digital, Apple, Microsoft and Xerox. The Unicode companies, restless with the long wait for 10646, started work on their code about two and a half years ago.

With the two systems on collision course, both camps are now under intense pressure to compromise, so that the codes could perhaps be merged. At the moment this is seen as almost impossible – technically and practically – yet circumstances are already dictating the need for an extraordinary effort.

One of Unicode's strongest advocates is Mike Kernaghan, vice-president of the Unicode consortium. He is critical of the ISO code because he believes ISO is not responding fast enough to customer demand. "If you look at 10646 from an engineering viewpoint, it would be difficult to build a system around it. We're looking at intelligent people who worked on the code but unfortunately it looks like a camel designed by a committee." He believes 10646 is so unwieldy that it could never be implemented in full. Instead, sub-sets of the code would be used in different countries.

Unicode, on the other hand, could realistically spread around the world, he says. With enough commercial support it could even become an international standard retrospectively, like the current American standard, Ascii.

But such optimism may be misplaced. Unicode has a "snowball's chance in hell" of becoming an international standard according to one adherent of 10646.

The 10646 committee would be unlikely to agree openly with this sentiment because it seeks Unicode's co-operation and does not want to be inflammatory. Yet its members suggest ISO would probably find it unacceptable to dismiss seven years' hard graft on the code. Its work has been based on a set of firmly held principles – technical and cultural – and at the moment it cannot see its way to giving them up.

But Jerry Anderson, IBM's representative on the 10646 committee, confirms that the overriding concern must be to avoid having two world standards. Recently, he met informally with other 10646 representatives in Paris to discuss tentatively how the two codes might be merged. They hoped, said Anderson, to find a way to make some "significant concessions and modifications" that would improve the standard and move it closer to Unicode.

"At worst we wanted to accommodate some of the requirements to at least make interworking [between the two codes] easier, and at best to induce a similar flexibility on Unicode's side."

Since that meeting, the 10646 committee has shifted on at least one of the basic technical principles on which it and Unicode differ. Certain codings which were previously reserved for "control" instructions will be made available for holding graphic characters as is the case with Unicode.

Unicode claims it has made a compromise as well. This involves acceptance of a Canadian idea for a way of merging the two codes by grafting Unicode on to the framework of 10646. The ISO code's framework is so much bigger than Unicode's that it could swallow Unicode in its entirety and still have room to be itself.

This idea, floated by Isai Scheinberg of IBM Toronto, could feasibly unite the two codes. "If they did that we would go along with it," says Kernaghan of Unicode. But the 10646 committee is having a hard time with the idea. Unicode would have to be recoded for the 10646 framework and, for this, ISO would have to relinquish some of the principles, or restrictions, that are fundamental to 10646.

Pressure is on to resolve these problems quickly. Each of 22 countries must vote for or against 10646 by June. To pass, the code needs the approval of 15 countries and less than six must oppose it. At the moment the vote could go either way.

Unicode

- **It holds each character as a 16-bit chunk – a series of ones and zeroes 16 units long. There are about 65,000 ways of arranging the ones and zeroes and this means 65,000 characters can be represented using the code – many times more than with present 8-bit codes such as Ascii.**
- **It has condensed or unified Chinese, Japanese and Korean symbols into a core of characters from which all the Asian languages can be generated. Two thirds of Unicode's 27,000 listed characters are Asian.**
- **It ignores existing conventions for the coding of "control" characters such as "carriage return".**
- **It uses "floating" accents which can be applied to any letter.**

10646

- **It goes beyond Unicode's 16-bit structure to encode data in chunks as big as 32 bits wide. This means that 10646 can potentially store up to 1.3bn characters – far more than it would ever need to.**
- **Each Asian language is coded independently after the Japanese blocked an early proposal to unify similar "ideographs" – ancient Chinese characters.**
- **It is more concerned than Unicode about compatibility with existing computers. It avoids codes already used by computers for "control" instructions. This cuts the available space for graphic characters to 1.3bn from about 4bn.**
- **It has separate codes to represent letter in accented and unaccented forms.**

HDTV standard is overrated

By Michael Skapinker

Filippo Maria Pandolfi, the European Community research commissioner, is close to concluding a new directive on satellite TV.

The directive has the support of the European electronics industry and broadcasters. It also has the backing of Lord Chapple.

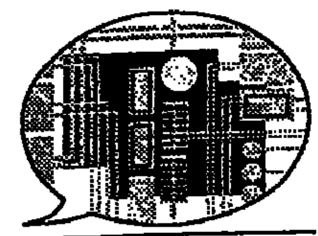
Frank Chapple was the redoubtable general secretary of the UK's electrical and electronics union. Now, ennobled, he is president of Britain's television manufacturers' association. Earlier this month he endorsed Pandolfi's efforts to create a single European satellite broadcasting standard, based on the Mac system.

His backing for Mac was not altogether surprising. Mac, touted as the European route to high definition television, is a British invention. Far more surprising is that Britain has a television manufacturers' association. The last significant British-owned television maker, Ferguson, was acquired by Thomson of France in 1987.

So who does the British Radio and Electronic Equipment Manufacturers' Association (Brema) represent? Ferguson is still a member, as is the UK branch of Philips of the Netherlands. But of Brema's 15 members, 10 are Japanese. Japanese television manufacturers have been busily building factories in the UK since 1974.

The worrying question for the champions of Mac, such as Thomson and Philips, is why Japanese companies are backing the system. Mac was to be a home-grown European answer to Japan's high definition Muse system, ensuring that companies like Thomson and Philips remained among the leaders in international consumer electronics.

A 1986 EC directive required all satellite broadcasters to use the European system. They would begin with either D-Mac in Britain or with D2-Mac in the rest of Europe. D-Mac and D2-Mac are not high definition systems, but they do provide better images than those currently seen on European screens. The next step would be for broadcasters to move on to HD-Mac, Europe's own high definition system, giving local companies an advantage over Japanese competitors.



TECHNICALLY SPEAKING

The directive expires at the end of the year and the Commission hopes to present a new one to telecommunications ministers on June 3. The accord will result in all satellite broadcasters using D2-Mac. So why are Japanese companies supporting a system devised to exclude them? Anyone who talks to Japanese electronics executives soon learns the answer. They would have liked the Europeans to adopt Muse. But failing that, the Japanese say they do not really mind what standard the Europeans choose for high definition television, provided they have one. Whatever the broadcasting system is, they say, they will manufacture the equipment to receive it.

The UK-based Japanese set makers have proved themselves formidable exporters to the rest of Europe. Sony, which has a factory in South Wales, has won three Queen's Awards for Export. So successful have the British-based Japanese companies' exports been that the UK last year had a £271m trade surplus in television sets.

The D2-Mac patent is held by European companies and organisations. They could make life difficult for Japanese companies which request manufacturing licences. The Japanese say they will fight any attempt to deny them access to the European high definition industry. It is unlikely that they can be excluded forever.

If D2-Mac does become widely accepted in Europe, Thomson and Philips will have won one battle. The war, however, will not have started. Its weapons will not be directives or government subsidies, but design, price and reliability. Weapons that Lord Chapple's troops have learned to wield with devastating effect.

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FT LAW REPORTS

Rent review issue can be re-litigated

ARNOLD AND OTHERS v NATIONAL WESTMINSTER BANK PLC
House of Lords (Lord Keith of Kinkel, Lord Griffiths, Lord Oliver of Aylmerton, Lord Jauncey of Tullichettle and Lord Lowry):
April 25 1991

A LESSEE is not barred from seeking judicial construction, for the second time, of a rent review clause, if there are special circumstances justifying re-litigation of the issue, in that there has been a change in the law since the earlier proceedings and the decision, which was plainly wrong, leads to injustice.

The House of Lords so held when dismissing an appeal by the defendant landlord, *National Westminster Bank* plc, from a Court of Appeal decision on a preliminary issue, that the plaintiff lessees, Sir Michael John Arnold and others, were not barred from re-litigating the construction of a rent review clause.

LORD KEITH said that National Westminster was the landlord of premises in Fetter Lane let to a firm of chartered accountants. The lease was for 32 years, expiring June 24 2008.

It provided for an initial yearly rent of £800,000 subject to review on June 24 1983, 1988, 1993, 1998 and 2004.

The rent from each review was whichever was the greater of the preceding rent and the "fair market rent" at review date.

The "fair market rent" was defined as meaning "such amount as shall represent a yearly rent at which the demised premises might reasonably be expected to be let at the relevant review date in the open market . . . "

When the first review date came up in 1983 it was referred to an arbitrator. There was a dispute as to whether, under the definition of "fair market rent", the rent for the hypothetical lease for the residue of the unexpired term was to be fixed on the basis (a) that it contained the same rent review provisions as the actual lease, or (b) that it contained no review provisions.

The arbitrator decided that the hypothetical lease should be treated as containing the rent review provisions, and fixed the rent at £1m per annum. In case he was wrong, he determined that if the hypothetical lease contained no rent review provision, the rent would be £0.2m.

The landlord appealed. Mr Justice Walton held that the arbitrator was wrong and that the hypothetical lease should be treated as not containing any provision for rent review, so that the rent payable was £1.2m.

He refused leave to appeal, and refused to certify a question of law of general public importance to be considered by the Court of Appeal. The lessees then sought to appeal against the refusal to grant a certificate, but the Court of Appeal held it had no jurisdiction to entertain such an appeal.

In the subsequent case of *British Gas v Universities Superannuation Scheme [1986] 1 WLR 398* Sir Nicolas Browne-Wilkinson, vice-chancellor, had to consider a somewhat similar rent review clause.

He said the correct approach was that, in the absence of clear words requiring the rent review provisions to be disregarded, and in the absence of special circumstances, the rent review clause should be construed to give effect to its underlying commercial purpose by requiring future rent reviews to be taken into account.

That approach had been approved by the Court of Appeal (see *Equity and Law Life Assurance [1987] 1 EGLR 124; Basingstoke and Deane BC [1988] 1 WLR 348*).

There were therefore powerful grounds for the view that Mr Justice Walton wrongly construed the rent review clause.

In 1988 the lessees sought to reopen the question of construction. They brought an action for rectification of the lease, and for a declaration as to the true construction of the clause. National Westminster applied to strike out the construction claim, on the ground that the lessees were barred by issue estoppel from re-litigating the point.

The matter came before the vice-chancellor. He took the view that special circumstances could prevent an issue estoppel from arising; that such special circumstances included the situation where relevant new material, not available at the time of the first decision, had since come to light; and that such new material might include not only the discovery of new facts, but also a change in the law.

He said "the question is whether, given subsequent change in the law indicating that the earlier decision was wrong, the injustice of holding the plaintiff in the second action bound by the erroneous decision in law in the first action, outweighs the hardship to the other party in having to relitigate the matter, and the public interest in the finality of legal proceedings".

He had no doubt that justice did require the matter to be re-litigated.

The relevant factors were: (i) there was a continuing contractual relationship of landlord and tenant which would regulate four further rent reviews; (ii) unlike the ordinary case of prior decision by a judge, Mr Justice Walton's decision was not subject to appeal because of the peculiarities of procedure applicable to *appeals from arbitrators*; (iii) the decision whether or not to permit an appeal was the decision of Mr Justice Walton himself; (iv) subsequent decisions such as *Equity and Law Life* made it strongly arguable that Mr Justice Walton's decision was wrong.

The Court of Appeal affirmed his judgment on substantially the same grounds. National Westminster now appealed.

There was a distinction between cause of action estoppel and issue estoppel.

Cause of action estoppel arose where the cause of action in later proceedings was identical to that in earlier proceedings between the same parties involving the same subject matter. In such a case the bar was absolute in relation to all points decided, unless fraud or collusion was alleged.

Issue estoppel might arise where an issue forming a necessary ingredient in a cause of action had been decided and, in subsequent proceedings between the same parties on a different cause of action, one party sought to re-open that issue.

In *Henderson (1843) 3 Hare 100*, a case of cause of action estoppel, vice-chancellor Wigram, in a statement which had been held to be applicable also to issue estoppel (see *Brisbane [1979] AC 411,425*), observed that there might be "special circumstances" where estoppel did not operate.

The present case was concerned with the nature of such special circumstances.

There appeared to be no decided case where issue estoppel had been held not to apply by reason that in later proceedings a party had brought forward further relevant material which he could not by reasonable diligence have adduced in the earlier proceedings. There was however, an impressive array of dicta of high authority in favour of that possibility.

The House should affirm that there might be special circumstances where further material became available which could not by reasonable diligence have been adduced in earlier proceedings.

The question was whether the further relevant material was confined to fact, or included change in the law.

There was no right of appeal against Mr Justice Walton's judgment because he refused to grant a certificate that the case included a question of law of general public importance. There could be little doubt that he was wrong in that refusal, as was shown in the large volume of litigation on construction of rent review clauses and decisions in that field.

Anyone not possessed of a strictly legalistic turn of mind would think it most unjust that a tenant should be faced with a succession of rent reviews over 20 years, all proceeding on a construction of his lease which was highly unfavourable to him and was generally regarded as onerous.

Estoppel *per rem judicatum* [by previous judicial decision], whether cause of action estoppel or issue estoppel, was essentially concerned with preventing abuse of process.

In the present case abuse of process would be favoured rather than prevented by refusing the lessees permission to reopen the disputed issue.

The vice-chancellor was right when he said that a change in the law subsequent to the first decision was capable of bringing the case within the exception to issue estoppel.

Special circumstances required the lessees to be able to re-open the question of construction decided against them by Mr Justice Walton, his decision being plainly wrong.

The appeal was dismissed. Their Lordships agreed.

For National Westminster: Terence Cullen QC and Hazel Williamson QC (Stephenson Harwood).
For the lessees: James Munby QC and Jonathan Gaunt QC (Freshfields).

Rachel Davies
Barrister

MANAGEMENT: The Growing Business

New funds launched

Three new UK venture capital funds have been launched despite forecasts that the scale of venture investment will fall by around a quarter over the next two years. All three funds have been set up by established venture capital groups. One is targeted at the small business in inner city areas while the other two are intended to finance larger, development capital stage deals.

The three funds are:

- A £20m Inner City Fund established by 3i, the largest UK venture capital group, to back start-ups and established small companies in city centres throughout the UK. Finances for the new fund will come from 3i's own resources. 3i's first Inner City Fund, set up in February 1988, has provided a total of £15m to inner city companies.

The aim of both funds is to invest small amounts of equity – usually of between £30,000 and £50,000 – in inner city businesses identified by the government-funded City Action Teams or Task Forces, whose brief is to revitalise enterprise and employment.

- A £21.5m fund created by Granville & Co, a private investment bank. The Third Granville Modern Management Trust fund will finance management buy-outs and buy-ins, debt restructurings and acquisitions. Granville's first fund, launched in 1985, has fully invested £10m, while a second fund, created in 1988, has invested 70 per cent of its £21m.
- A planned £140m European Acquisition Capital Fund launched by Enskilda Ventures, part of the Scandinavian banking group. The fund managers have raised the first £30m towards the fund which will complement Enskilda's existing Scandinavian Acquisition Capital Fund.

Venture capital in the UK faces a difficult few years, according to a survey carried out for the British Venture Capital Association last year. The scale of investment by the industry is expected to fall by 20-30 per cent over the next two years from the 1989 level of £1.65bn. The institutions which provide finance to the venture capitalists are demanding better performance from funds they back.

Charles Batchelor

Rural enterprise

Why Welsh farmers are saying 'cheese'

Charles Batchelor reports on adding value at source

The 80 acres of Welsh hill pasture which drop steeply away from Tony and Pam Craske's hill-top cottage above Pontypool could, in return for a lot of hard work, produce an annual income of £5,000.

But the Craskes have rejected sheep as a means of boosting Tony Craske's retirement pension, opting instead to produce a variety of goats' and cows' milk cheeses in the farm buildings alongside their home.

Abergavenny Fine Foods now combines cheese-making with a distribution business used by other farmers to bring their cheese to market. In the space of nine years the Craskes have created a company which employs eight people and has annual sales of nearly £500,000. "None of the other farms around here employs anyone outside the farmer's family," says Tony Craske.

Although the Craskes are not of farming stock – they came to Pant-Ysgawn Farm after Tony retired from a management career with ICI – they illustrate an important shift taking place in the farming sector.

Pressure on agricultural incomes is concentrating the minds of those who run farm-based businesses on attempts to add more value to products at source, instead of shipping the raw materials to distant food processing plants which cream off the larger share of profits.

Tony and Pam Craske came into the business of making cheese when they wanted to use up surplus milk from the small herd of goats they had bought to meet their own needs. They made their first sales in nearby Abergavenny market but began supplying Sainsbury's and other large supermarket chains as the result of a cheese promotion campaign run by the Welsh Development Agency (WDA).

It soon became apparent that the Craskes had insufficient space in their farm buildings both to keep goats and to make the cheese so the goat-keeping was subcontracted out to a farmer in west Wales. The milk is now frozen on that farm and brought to Pant-Ysgawn once a week for processing.

The help which the Craskes received from the WDA came under a programme known as the Welsh Food Initiative, established in 1986 to help food producers diversify and add value. This programme has in turn become part of the recently created Welsh Food Promotions campaign set up to market local produce.

Foodstuffs might appear a relatively simple product group compared with say, high technology electronics, but the growing complexity of hygiene legislation means that a high degree of sophistication is required, says Tim Lacy-Halbot, food development executive for the WDA and Gwent County Council.

One of the main problems facing the rural food producer is that of scale. Few farmers are in a position to produce enough to be able to afford to market their product professionally or to create a business of any worthwhile size.

In an attempt to overcome this problem Tony Craske is involved in a WDA-backed initiative to process and market a cow's milk cheese called St David's. The idea is for selected farmers to supply "blanks" of raw cheese to a central processing plant where they will be matured, packed and distributed.

At present one local farmer is providing the raw cheese for processing at Pant-Ysgawn but this operation will be moved to a larger unit in Abergavenny within a few weeks and more farmers are being lined up to supply the cheese "blanks". Craske hopes to sell £130,000 worth of St David's in the first year, rising to £500,000 within three years.

A similar leap in scale has been made by David Morgan *(right)*, founder of the Welsh Venison Centre at Bwlch near Brecon. Morgan began rearing deer six years ago for sale as breeding stock and three years ago moved into producing his own venison.

Tony Andrews

David Morgan: escaping from the farmer's weak position in the commercial hierarchy

Limited to just 20 acres on his father's 229-acre farm, he soon found that demand for venison had outstripped his own ability to supply. Morgan still rears his own deer and he hopes to double the acreage available but he buys in three-quarters of his requirements from other breeders. The rest of the farm acreage is taken up by sheep, pigs and daffodils.

He sees great potential for venison, a low fat meat which has been growing in popularity. Deer are more efficient at converting grass into meat than cattle and the gross profit margin per acre from deer is nearly twice as high.

At present breeding and selling deer accounts for about half of the Welsh Venison Centre's £200,000 annual turnover but venison is due to increase its 30 per cent share. The remainder of sales are accounted for by the manufacture and installation of fences, gates and other equipment needed for handling deer.

But Morgan is motivated not just by a desire to increase the revenues of the farm, which must support his father, his brother and himself. Equally important are a wish to escape from what he sees as the farmer's weak position in the commercial hierarchy and a desire for a more varied life than on an ordinary farm.

"I hated going to market and grovelling to buyers who couldn't jump over a fence," he says. Handling the marketing of his venison takes him to hotels and restaurants in a 30 mile radius from his farm and, more recently, to Birmingham.

Buying in deer for slaughter from other farmers has allowed Morgan to expand his business to the point where he employs a local butcher on a part-time basis. He is now hoping to take on a full-time butcher as well as someone to do the metal fabrication work for the deer-handling equipment.

Growth at Abergavenny Fine Foods and the Welsh Venison Centre has been steady rather than spectacular. Tynant Spring Water, in contrast, has mushroomed in size over the past two years and is forecasting further spectacular growth. There could be few more graphic examples of how clever marketing has turned a low-value commodity into a premium product.

Geoff and Gwenllian Lockwood decided to diversify their business activities in 1984 by bottling for sale the water which bubbled out of a spring by their hillside cottage some 12 miles from Lampeter. Initially the water was put into plastic bottles and sold locally.

The growth in the public's demand for bottled water convinced the Lockwoods that they could build a bigger business so they teamed up with two local investors, one of whom had a background in the hotel and catering industry. He persuaded them that there was an unmet demand for an upmarket bottled water. "We felt there was a gap in the market for a fine looking bottle to sit on the table alongside a bottle of wine," says Gwenllian Lockwood.

The Lockwoods dropped the clear plastic bottle they had been using in favour of a specially designed glass bottle in brilliant blue. Production was moved from the hillside down to a small industrial estate in Lampeter in 1989 and sales took off. Lockwood refuses to discuss turnover but expects to be able to sell the company's entire 8m capacity of the bottling line this year.

But tougher food legislation is having an impact on Tynant. The Lockwoods expect European legislation will require all waters to be bottled at source – Tynant is brought by tanker to Lampeter – so they are planning to shift the bottling plant back to the spring.

When the new bottling plant is open Tynant will double its present workforce to 60 with a further increase to more than 80 expected shortly after. A preliminary meeting with the local planning authority was favourable so they are hopeful of getting planning permission.

Tony Craske has been less successful in his attempts to expand. He has been unable to gain permission to expand the buildings on his land because he is in the Brecon Beacons National Park. "If I wanted to keep pigs I could put the building up but I can't get permission for cheese-making," he says.

The result is that his business will shortly be moving to Abergavenny into one of a cluster of units specially built to house food companies. The rules which have been drawn up to protect the rural landscape sometimes run counter to attempts to breathe new economic life into the country.

In brief...

■ Small businesses spend an average of £9,000 a year on external financial advice, of which 64 per cent goes to accountants' fees, according to a survey by KPMG Peat Marwick. The accountants questioned 150 companies with turnover of up to £5m and based in the south-east.

The bank manager is the most popular source of advice on raising finance and is used by 58 per cent of companies, compared with 46 per cent which consult accountants. However, 95 per cent of firms polled turn to their accountant when seeking advice on corporation tax and accounts preparation.

■ A programme to inject the techniques for teaching enterprise issues into schools in Hungary has received a further £32,000 of finance from the UK government's Know How Fund. The extra money will allow Durham University Business School (DUBS), which has been responsible for the programme, to evaluate progress and to revise its manual of enterprise teaching practice.

The Hungarian ministry of works plans to extend the project to 250 schools from the present eight.

Contact DUBS, Mill Hill Lane, Durham DH1 3LB. Tel 091 374 2211.

■ Evidence of the extent to which recession has hit the liquidity of small businesses appears in the level of savings they have at their bank or building society. Net savings by small businesses have remained static at around £27bn since October 1990 compared with average monthly increases of £350m in the earlier part of the year, according to a survey by National Westminster Bank.

The picture varies according to sector with service companies having more surplus funds available than manufacturing and construction companies. Savings of retail businesses are very low.

Businesses in the south-east have more funds on deposit than those elsewhere in the country while liquidity also improves as businesses increase in size. Twenty five per cent of firms with one or two employees have surplus funds on deposit. Of businesses with five to nine employees 34 per cent have surplus cash while nearly 40 per cent of those employing 10-49 people have business savings.

■ A do-it-yourself kit to help small firms cut the cost of crime is to be devised by the Confederation of British Industry (CBI) and Crime Concern, a government-backed consultancy. Fraud, theft, "shrinkage" and arson cost small businesses an estimated £3bn a year.

The crime audit pack – a series of self-study units to enable the small business owner to carry out an assessment of exposure to the risk of crime – is to be drawn up and tested over the next few months. Crime Concern will compile the pack on the basis of discussions with owner managers of retailing and construction firms in London, manufacturing companies in Liverpool and hotels in Brighton.

The businesses chosen will receive surveys of their physical security, their financial and stock control systems and management and employee attitudes.

Contact CBI Tel 071-379 7400 or Crime Concern Tel 071-938 2222, ext 2180.

■ A series of two-hour workshops to explain the workings of new legislation on the taxation of benefits in kind to directors and employees is to be held in London. Stiff penalties apply to businesses which fail correctly to complete Inland Revenue form P11D.

Contact CPE Courses, Aldine House, Aldine Place, 142/144 Uxbridge Road, London W12 8AW. Tel 081-749 7467. £70 plus VAT. Course dates *May 1, 2, 7, 20 and 21.*

■ A guide to the issues which confront small and medium-sized businesses which plan to export to continental Europe has been prepared by National Westminster Bank and accountants Ernst & Young.

Europe: Your Next Step provides illustrative case histories of three companies exporting for the first time and looks at questions such as standards, repatriating profits, border delays and product liability.

Contact NatWest, Mid-Corporate Business Services, Level 14, NatWest Tower, 25 Old Broad Street, London EC2N 1HQ. Tel 071-920 5555 ext 5486 or Ernst & Young, Becket House, Lambeth Palace Road, London SE1 7EU. Tel 071-931 1465. 20 pages. Free.

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ARTS

Pinocchio

THEATRE ROTONDE, BRUSSELS

How precisely children's fiction reflects national stereotypes: Babar the gentilhomme of Gallic chivalry, Toad and Water Rat dilettantist English land-owning types, Pinocchio, *as this ingenious adaptation* of Collodi's story by the Teatro Ragazzi di Verona shows, every stick and splinter the spoilt Italian son.

Nothing pinpoints such differences more delightfully than the Brussels "Festival International Jeunes Publics" (to May 13), a festival of children's theatre which brings together drama, dance and mime for children from theatres across Europe, America and North Africa. In *Pinocchio*, Gianni Franceschini has managed to create that box office winner, a children's play with enough adult interest for every parent to want to escort his offspring. Add half an hour to official starting times while excess audience is squeezed into aisles and staircases, and expect a riot at the end when it heaves as one on to the stage to mob the unfortunate puppet.

Franceschini reworks the tale of the boy marionette who comes to life in the hands of his master as lighthearted human comedy with a touch of Punch and Judy. Gianni Volpe's set, a workshop platform backed by a mesh of cupboards, alcoves and windows, opens like a magic box to reveal countless theatres-within-theatres where Geppetto and the shrieking Pinocchio play out their drama of manipulation, each fancying himself as director of the show.

This is simple, resourceful and never-endingly inventive *theatre of the sort for which* this children's touring group is well known. A blackout, a pole and a candle and you have the wild wood. For the Theatre of Mr Fire-Eater, a shelf is bathed in fluorescent crimson to become a mini-stage with its own purple curtain and neon signs. Waves of turquoise lights and ripples from triangles and tambourines suggest the sea when a trapdoor beneath the stage flies up to release a crowd of dainty marionettes from inside the belly of the whale. At other times, Pinocchio and his audience strut to rock'n'roll and swing along with a fairground barrel organ.

This *Pinocchio* has everything: *fantasy, slapstick*, a sturdy story, an emotional game in which the spirit rises and falls like the yo-yo of the marionette strings. Geppetto, largely absent from Collodi's adventures, is the star of the show. Franceschini plays him in a great patched overcoat which doubles as a disguise when he dons the occasional part of the Fox or Cat. A beret turns him into a schoolchild taunting the puppet, a bowler hat and he is the circus *performer who lets Pinocchio* break a leg before throwing him into the sea.

On stage continuously, he is at once contortionist, conjuror and ventriloquist, but he is at his best as the soft-centered Father spattering pleas and philosophy ("La vie est la parole") by turns. Eyes deep-sunken, nose a little long and crooked like Pinocchio's, expression quizzical and imploring, body hunched, he is the archetypal old man, flesh visibly crinkling up and limbs turning wooden through the stresses of his picaresque doings even as his puppet turns from wood to flesh.

Jackie Wullschlager

Surface images

William Packer on Victor Pasmore

Nude with a pert turn of head: 'The Studio of Ingres', 1945-47 by Victor Pasmore

Looking today at the safe and inoffensive work of Victor Pasmore, which has come to the Serpentine Gallery from the Center for International Contemporary Art in New York (Kensington Gardens W2, until May 27), one finds oneself hard put to remember quite how controversial a figure he once was. Admittedly his notoriety hardly extended beyond the interest of the British public for contemporary art, but within that little world, the stir he made around 1950 by his abandonning of figuration in favour of abstraction, was considerable. The word was passed: "Pasmore's gone abstract", and to those very British patrons, would-be and active alike, who rather like the idea of contemporary involvement but also know quite well what they like, it was a real and desperate betrayal.

It was of course nothing of the kind for, as any fairly chosen retrospective must show, that shift to abstraction was a natural and gradual development, clearly prefigured in the earlier work, most especially in the Hammersmith landscapes of 1947 and 48. The flat schematic swirls and eddies of the *later abstracted sea are already there*, in the branches of the trees in the gardens, even the bolster that supports the model's back. Professor Norbert Lynton was curator of this exhibition and his choice, necessarily constrained by the size of the gallery, is as fair and comprehensive as could be.

But here we come to the central problem of Pasmore and his work. If his reputation as a major figure of the post-war British avant garde is now questionable, it has undoubtedly stuck and rather to his advantage. For with that frisson of betrayal there came also a whiff of that danger and excitement by which the nervous educated British *sense that an intellectual is come* among them, like a fox in the chicken-run. While Pasmore's shift to abstraction was decidedly worrying, the thought that it was at least founded in some principle and system, won it a grudging and, as it has proved, a lasting respect.

He must know what he is doing, so ran the argument, for why else should someone who could paint nude and landscape, lamplight and twilight, so seductively, suddenly give it all up? His subsequent career as a teacher throughout the 1950s, latterly at the School of Fine Art at what is now Newcastle University, would only confirm his standing. The art educational principles of basic form and basic design, which he developed in those years with his fellow theorists, notably Richard Hamilton, Harry Thubron and Tom Hudson, haunt us still.

The trouble with Basic Form and Basic Design, which cause Pasmore and his *friends argued so persuasively, is that it* embraces the heresy that anyone can be an artist, if only they submit to the system, finish the project, jump through the hoop. Nothing so tiresome as studying the model through long hours in the life-room, learning to draw: to be an artist you need only think like an artist. *The effective destruction of* our art schools by casting aside the old system, with its essentially technical preoccupations in favour of the new, which Pasmore and others, in all sincerity of purpose, achieved in the 1960s, has been already long apparent.

The sad fact is that the idea of being an artist is infinitely seductive. And Pasmore, that early reputation notwithstanding, has never enjoyed a natural facility as painter or draughtsman. At the Euston Road School just befor the war he learnt the uses of seriousness and application, but in his paintings of that time, tone, form and space alike are fuzzy, unclear and unresolved, the colour *little more than the conventional* Euston green. And we look again at the famous nudes, with their pert turn of hip and head and provocative smear of lipstick, to find the drawing awkward, weak and unsure, the figure uncoordinate and misunderstood, a leg unrelated and unmeasured, a clumsy hand that cannot reach *the knee it rests on.*

So to the landscapes, to trees reduced to a spidery formula, shrouded in mist that hides the sheer difficulty of setting objects together in a coherent pictorial world. His solution to his difficulty was simple, direct and as we now see, necessary. By "going abstract" he simply accepted that for him image, form and space were to be simplified, flattened, schematised, brought to the surface: that was all he could manage, all he could do. And so he has continued, more or less, these 40 years.

Ravel, Strauss and Haydn: weekend music in London

The events of the London Symphony Orchestra's "Childhood" series are being spread rather thinly. Too thinly, perhaps, for its theme – "three centuries of music inspired by the experience of childhood" – fully to register as a coherent artistic statement. But in a single concert performance, that of the second of Ravel's two one-act operas, the enterprise must surely have found its surest point of focus; for under Michael *Tilson Thomas L'Enfant et les sortilèges* came up miraculously fresh.

Even without benefit of stage props or movement, its ability to evoke all the exhilarations, caprices, fears and tender affections of childhood seemed on Sunday more acute and more precious than ever. The reason is that Tilson Thomas does not place knowing quotation marks around the subordinate episodes, comic or fantastic as may be, that form the opera's stages of dramatic development. He understands that in the performance of this work, simplicity of statement becomes a mark of high sophistication; he encouraged the orchestra (and the LS Chorus, on trim-voiced form) to deliver themselves with airy precision. The myriad colours and sound-inventions were touched in with absolute firmness and clarity.

Some of the singers – Robert Tear as Teapot and Alfreda Hodgson as Chinese *Cup were the most obvious examples* – were tempted to show the audience just how much jolly good fun they were being, and having; but in the orchestra, at least, the faces were kept, in the best way, entirely straight. This directness was a quality shared by Frederica von Stade, whose Child was not just beautifully sung, in excellent French; it was acted, by means of touches of vocal colour and expressive nuances in the singer's platform demeanour, in a way that showed that all the singer's imaginative resources had been profoundly engaged.

Other members of the large cast who struck the right note included David Wilson-Johnson and Anne Howells as a pair of cats at once outrageously funny and strictly stylish, Constance Hauman as the Fire, and Helen Field (though lacking ideal purity of tone) as a poignantly vivid Princess.

As prelude to this small, perfect masterpiece, there was a rather peculiar account of one of Benjamin Britten's comparative artistic failures: the 1969 *Children's Crusade*, dry in musical invention and second-hand (at least by Britten standards) in dramatic purpose. The Finchley Children's Music Group came out with full tone and authoritative attack, the various percussion and *keyboard players likewise*; but the attempt at staging seemed unconscionably arty, as well as painfully slow to get going.

Max Loppert

"Mature" Strauss is a grab-bag, for all the famous tone-poems are "early". He was already 40 when he composed the Symphonia Domestica, his penultimate big-orchestra work; next year came the triumph of *Salome* – and then another 43 years' worth of operas, songs and little more but trumpery "occasional" pieces. Only at the age of 70 did he return to honest symphonic composition, on a modest scale (the Oboe Concerto, the *Metamorphosen*); and music-lovers have a deeper affection for the Four Last Songs, which he wrote at the age of 84. Cheryl Studer sang those to a full house at the Royal Festival Hall on *Sunday, with Zubin Mehta and the London* Philharmonic.

Mehta's programme was completed by two chunks of "mature" orchestral music: Strauss's *ultimate* symphonic poem, the 1915 Alpine Symphony, and the "Symphonic Fragment" that the conductor Clemens Krauss cobbled together from what Strauss had expected to be his last operatic score, *Die Liebe der Danae*. (He got carried away later and wrote *Capriccio*.) That was a useless exercise: nine minutes of Fragment, or rather fragments, neither convey the ripe, heartfelt variety of this neglected opera nor make good symphonic sense. Though *Die Liebe der Danae* is a forbiddingly expensive proposition, it is high time that some company summoned up the courage, and the cash, to do it justice.

In the Four Last Songs Miss Studer was a joy. She is another of those young American singers who make smug European pretensions to special understanding seem absurd. Not only was she the first soprano I've heard in the concert hall who could project every phrase through Strauss's orchestral tapestry (with Mehta's faithful care), but she fastened unerringly upon the sense of each song. In the low register her timbre lacks character yet, but in every *crucial passage her tone* was lustrous, her phrasing exquisite.

The Alpine Symphony, or more exactly "An Alpine Symphony" – it isn't clear whether Strauss meant that it was a Symphony which happened to have an Alpine scenario, or expected it to be just one cliff-hanger among many – is at any rate a monster; but also great fun, if heard at suitably rare intervals. It is film-music for a documentary with aspirations; it goes on for a long time, deploys enormous forces with sovereign ingenuity, is pictorially dazzling and symphonically quite inert.

Mehta shaped its episodes with so professional a hand as to keep one's ears pinned back, and the LPO played up splendidly. (The horns ran into some bad luck, but earlier the solo-horn postlude of the song "September" far outweighed those lapses.) He stretched the central "Vision" hard to extract every *expressive drop, and still more the Ausklang* epilogue: I remembered a late Barbirolli performance that milked the end of *Ein Heldenleben* in just such a way, moving my father to tears.

This time, no tears were prompted: the post-climb peroration was rhetorically imposing, but nothing more. That might have been Mehta's fault – but more likely, the music had nothing more to offer. Strauss knew well enough when a vein was exhausted, and in the Alpine Symphony the vital pulse runs out.

★

Andrew Davis and the BBC Symphony may have set a new speed record in Haydn's "Nelson" Mass on Friday at the Festival Hall, but it was a tonic to hear. There were no signs of complaint from the players, despite the violins being revved up to escape-velocity in the Allegros; nor from the BBC Symphony Chorus, who were startlingly good, even virtuoso. Their chorus-master Stephen Jackson has brought this non-professional group to new heights. The sopranos were intrepid and unanimous, the collective diction bright, the balance of parts beautifully transparent.

In the heroic solo soprano role Rita Cullis made a slightly anxious start, but from the *Gloria onward* she was strong and lucid. With far less to do, the other soloists all made their marks: the mezzo Susan Bickley with lovely tone in the later movements, the tenor Kim Begley in ringing style, David Wilson-Johnson soberly moving in the Qui tollis. Amidst this whole exuberant reading, the famous irruption of warning trumpets made no great shock; more typical was the playful, dancing close, which Davis plainly relished.

Soprano and bass lent their wordless voices to the slow movement of Nielsen's Symphony no. 3, the "Sinfonia espansiva", which Davis addressed with lively purpose. Clean formal lines, precise attention to Nielsen's original colour-contrasts, terrific energy: the Allegretto and Finale, indeed, were enthusiastic to the point of violence. I preferred Davis's cooler exposition of the earlier movements, which brought out Nielsen's quirky *symphonic* thinking to secure effect. But the total impression was friendly, and the symphony certainly gained by the sharp silhouette Davis gave it.

The concert had begun with Sibelius's *Swan of Tuonela*. While the cor anglais proceeded with its doleful song, Davis lavished subtleties upon the orchestral accompaniment, which became too greedy for one's attention. In this "river of the dead" there were too many restless currents for the serene magic of the piece to establish its spell. In its way this was nevertheless an expert performance, and a neat introduction to the tougher Nielsen work. It was the Haydn, though, that would go on ringing happily in the mind's ear.

David Murray

Giselle

OPERA GARNIER, PARIS

One hundred a fifty years ago this summer, *Giselle* was created on the stage of the old Paris Opéra in the rue Le Peletier. To celebrate this anniversary, the Opera Ballet acquired a new production of *Giselle* last week. I wish I could say that the enterprise is a fitting tribute from the direct heirs of the first performers to this marvel of Romantic art, but – alas – modishness has struck its usual blow, and the staging is fatally flawed.

We are faced with a schizophrenic presentation. Patrice Bart and Genia Polyakov have revived a decently traditional text. Patrick Dupond, director of the ballet troupe, has decided that a spurious "relevance" can be found for a new generation of interpreters by ignoring the essential local colour of the old ballet – that romantic fascination with the mysterious, the quaint, which in this case is the charm of mediaeval Thuringia at vintage time – and providing austere decoration by the Breton painter Loïc Le Groumellec. There results an absolute disjunction between authentic choreography which has in-built dramatic references to location and occupation – from vintagers, a game-keeper, a hunt, to a mysterious lake in which Hilarion must drown – and Le Groumellec's decors. There are monochrome back-drops of Brittany (a bleak moor for Giselle's village; a looming, misty assemblage of menhirs and megaliths for the nocturnal forest) which exist without benefit of wings, with a windowless, doorless block as Giselle's cottage, and a skeletal igloo in which Albrecht lodges.

Distinguished though these might prove on canvas, they serve merely to deny the dance action, which looks lost and frigid on the Opéra stage. Matters are made even worse by costuming from Myriam Teissier and Le Groumellec. The villagers are in dull, utility outfits, though Berthe has a nice line in dark blue beach pyjamas beneath her apron; the Courland hunting party is on its way to a particularly lurid drag ball. Vivid colour, insane shapes, frenetic confections in velvet – one poor fellow wears a hat like a roof, a triple-caped jerkin, and gaiters boasting a myriad silver buttons – reduce the action to hysteria.

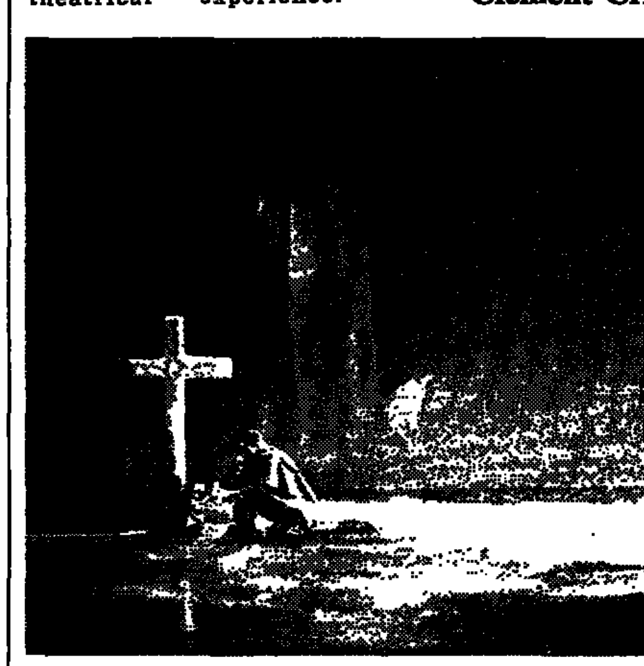
The wilful inconsistency between text and surroundings brings about a complete breakdown of *Giselle* as a theatrical experience.

Dupond's belief is that the ballet's significance is increased when casts can relate to fresh decorative or emotional ideas – a thesis proposed in Mats Ek's hateful but consistent Swedish *Giselle*, whose second act was located in a mad-house. This is to ignore the fact that with an old ballet, tradition and continuing thought about the identity of roles and of the text itself will – as we see with *Giselle*'s 150 uninterrupted years in Russia – guarantee *interpretative* vitality. *Giselle* has the best history of any classic at the Opera this century, from the 1924 staging for Spessivtseva, to the two beautiful post-war versions by Lifar, with superb decoration by Benois and Carzou, *illuminated by* such great interpreters as Chauviré, Darsonval, Vyrubova. (And it is significant that Mme Chauviré has dissociated herself from this present production.)

It would be some compensation to report that, despite everything else, the Opéra casts triumph. But there is nothing to sustain the identity of the ballet when it is so cursorily exposed and so isolated upon the stage, and the dancers, like the drama, appear lost. There is also little refinement to the production. Certain vital moments are ignored or skimped: since the interior of Albrecht's cottage is open for all to see, the hiding of his sword is futile, while the crucial fact of Giselle urging Albrecht to the shelter of the cross on her grave in Act 2 is never made clear.

What can be, in a production as sensitive as that at the Kirov, a work of rare beauty which encourages the highest ideals from its interpreters, here becomes a frosty exercise in technique and ill-justified emoting. I saw two casts. Monique Loudières danced with her customary skill, but her dramatic talents need the *support (and the restraints) of* a sounder staging to be seen at their best. Her Albrecht was Patrick Dupond, whom I found less than convincing. Florence Clerc made something exquisite of the second act with Charles Jude, since both artists boast a clarity of technique and style, and an emotional precision, that summoned up the spirit of the real *Giselle*. The supporting dancers were, of course, excellent – the corps of wilis very fine indeed – but the staging places them all at a disadvantage.

Clement Crisp



Scene from Act 2

INTERNATIONAL ARTS GUIDE

TODAY'S EVENTS

■ AMSTERDAM

Concertgebouw Grote Zaal 20.15 Handel programme with choir of the Netherlands Handel Society. Tomorrow, Thurs and Sun: Chailly conducts the Royal Concertgebouw Orchestra (6718 345)
Concertgebouw Kleine Zaal 20.15 Ton Koopman conducts Amsterdam Bach Soloists in music by Telemann (6718 345)

■ BERLIN

Staatsoper unter den Linden 19.30 *Eike Gramss' new production* of Madama Butterfly with Miriam Gauci in title role. Tomorrow: Les contes d'Hoffmann. Thurs: Der fliegende Hollander (2004 762)
Komische Oper 19.30 Wolfgang Rennert conducts Die schweigsame Frau with Siegfried Vogel as Morosus, also Sat. Tomorrow, Thurs and Fri, no performances (2292 555)
Deutsche Oper 19.00 Die Zauberflote. Tomorrow: Lohengrin. Fri: Rigoletto (3410 249)

■ BRUSSELS

Monnaie 20.00 Sylvain Cambreling conducts Die Zauberflote, staged by Karl-Ernst and Ursel Herrmann. Runs till May 19, with further performances this week from Thurs to Sun (219 6341)

■ CHICAGO

Orchestra Hall 19.30 Daniel Barenboim conducts Chicago Symphony Orchestra in Brahms' First Symphony, plus Ellen Taaffe Zwilich's Concerto for Bass Trombone, soloist Charles Vernon, *repeated Thurs and Fri.* (435 6666)

■ COLOGNE

MUSIC
This week's programme at the Philharmonie includes an evening with Lionel Hampton and his Band tonight, a piano recital by Bruno Leonardo Gelber on Thurs, a concert by the South German Radio Orchestra conducted by Michael Gielen on Sat, and Haydn's The Seasons and Mozart's opera La finta semplice in two separate concerts on Sun (2801).
THEATRE
Performances at the Schauspielhaus later in the week include Goethe's Stella and Friederike Roth's experimental play Das Ganze ein Stuck. A production of Brecht's Jungle of Cities features in the programme at the Kammerspiele (221 8400)

■ THE HAGUE

Dr Anton Philipszaal 20.15 Franz Welser-Moest conducts Residentie Orchestra in Dvorak's Seventh Symphony. Fri: Riccardo Chailly conducts Royal Concertgebouw Orchestra (3609 810)

■ LONDON

DANCE
Covent Garden 19.30 Royal Ballet triple bill, with Balanchine's Agon, Ashton's A Month in the Country and MacMillan's Requiem, also tomorrow. Thurs and Sat: new full-evening ballet by David Bintley (240 1066)
MUSIC
Coliseum 19.00 Jonathan Miller's production of Don Giovanni, with *Peter Coleman-Wright* in title role, also Fri. Tomorrow and Sat: Charles Mackerras conducts The Cunning Little Vixen. Thurs: Peter Grimes (836 3161)
Royal Festival Hall 19.30 Vladimir Fedoseyev conducts Moscow Radio Symphony Orchestra in Shostakovich's Fifth Symphony and Gubaidulina's Offertorium, with Sergei Stadler. Tomorrow: Simonov conducts the Philharmonia. Thurs: Kent Nagano conducts the LPO (928 8800)
Queen Elizabeth Hall 19.45 Nicholas Kraemer conducts London Bach Orchestra. Thurs: John Eliot Gardiner conducts Gluck's Orfeo (928 8800)
THEATRE
The National is currently running Steve Berkoff's adaptation of Kafka's The Trial with a cast led by Antony Sher, and White Chameleon, Christopher Hampton's *semi-fictional memory play about* a childhood in Egypt. Later in the week, there will be a final chance to see Ian McKellen's Olivier Award-winning performance in Richard III and Alan Ayckbourn's play for all the family, Invisible Friends. Phone Theatreline: Plays *0836 430959 Musicals 0836 430960* Comedies 0836 430961 Thrillers 0836 430962

■ MADRID

Auditorio Nacional de Musica 19.30 Roger Norrington conducts the London Classical Players in a Mozart programme, with Melvyn Tan fortepiano (337 0100)

■ MILAN

Teatro alla Scala 20.00 Gianandrea Gavazzeni conducts Adriana Lecouvreur, also Thurs, Fri and Sun (7200 3744)

■ NEW YORK

DANCE
Metropolitan Opera 20.00 American Ballet Theatre in Vladimir Vasiliev's Don Quixote, also tomorrow, Thurs and Fri. Sat: Twyla Tharp programme. Season *runs* till June 22 with daily performances except Sun (362 6000)
New York State Theater 20.00 New York City Ballet in Peter Martins' *new* production of The Sleeping Beauty, including Balanchine's Garland Dance. Runs till Sun. Spring season lasts till June 30 with daily performances except Mon (870 5570)
THEATRE
This week's Broadway shows *include City of Angels, an unusual* combination of musical comedy and thriller by Larry Gelbart (Virginia), I Hate Hamlet, Paul Rudnick's comedy about a young television star who is cast in the title role of a Shakespeare-in-the-Park *production (Walter Kerr) and Six* Degrees of Separation, John Guare's play about a mugging victim who seeks refuge at an elegant Manhattan dinner party (Vivian Beaumont). Recommended shows *off*-Broadway include Nunsense, Dan Goggin's musical adventure about five nuns who mount a talent show (Douglas Fairbanks), and Forbidden Broadway 1991, Gerard Alessandrini's mischievous, satirical review (Theater East). Ticketron (246 0102) answers inquiries and sells tickets

■ PARIS

Palais Garnier 19.30 Opera Ballet in Giselle, using the original choreography directed by Patrice Bart and Eugene Polyakov. Runs daily till May 11 except Mon, matinee and evening performances on Sat and Sun (4742 5371)
Opera Bastille 19.30 Diana Soviero sings title role in Robert Carsen's production of Manon Lescaut. Final performances Thurs and Sat (4001 1616)
Théâtre des Champs-Elysees 18.30 Orchestre National de Chambre de Toulouse plays Mozart concertos. (4720 3637)
TMP-Châtelet 20.00 Final performance of Ruth Berghaus' production of Ariane et Barbe-Bleue, with Francoise Pollet as Ariane and Gabriel Bacquier *as Barbe-Bleue (4028 2840)*
Châtelet Auditorium 19.00 Recital by Barbara Bonney and Hakan Hagegard accompanied by Thomas Schuback (4028 2840)

■ ROME

Teatro dell'Opera *20.30 Jan* Latham-Koenig conducts Poulenc's Dialogues des Carmelites (463641)

■ VIENNA

Staatsoper 19.00 Gerd Albrecht conducts Schreker's Der ferne Klang with a cast led by Catherine Malfitano and Thomas Moser. Tomorrow and Fri: La boheme with Mirella Freni. Thurs: Eva Marton sings Salome (51444 2960)

■ WASHINGTON

Kennedy Center Concert Hall 19.00 Yan Pascal Tortelier conducts National Symphony Orchestra in Berlioz's Symphonie Fantastique and Ravel's Left hand Concerto, with Cecile Ousset. Thurs and Fri: Dzhansug Kakhidze conducts Strauss, Mozart and Rakhmaninov. Sat: recital by Alfred Brendel (467 4600)

■ ZURICH

Opernhaus 19.30 Ralf Weikert conducts Robert Carsen's production of Lucia di Lammermoor with a cast led by Edita Gruberova and Francisco Araiza, also Fri and Sun. Tomorrow: Chris Barber Jazz and Blues Band. Sat: Nello Santi conducts Tosca with Linda Roark-Strummer in title role (251 0909)
Tonhalle 20.15 Jan Krenz conducts *Tonhalle Orchestra in music by* Tchaikovsky and Szymanowski, plus Chopin's First Piano Concerto with Stanislas Bunin. Also Thurs and Fri (201 1580)
Schauspielhaus This week's repertory includes Durrenmatt's The Meteor and Friedrich Hebel's *tragedy Judith* (251 1111)

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(all times CET)

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Eurosport
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CNN
0500-0530 Moneyline
0600-0630 Moneyline
1230-1300 CNN Market Watch
1330-1400 Business Day
2000-2030 World Business Today - a joint FT/CNN production with a review of the day's major business stories
2300-2330 World Business Today
0100-0130 Moneyline
Superchannel
0700-0830 Financial Times Business Report
A five minute business briefing broadcast three times between 0700 and 0800
2220 - 2250 (Wed) Financial Times Business Weekly - the latest *round-up of business news with* James Bellini and Debbie Middleton.
0830 & 2030 (Thurs) Financial Times Business Weekly
Sky News
1200 International Business Report
2130 (Thurs) Financial Times Business Weekly

SATURDAY
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Tuesday April 30 1991

G7 under US pressure

RARELY CAN a great power have come to an important international meeting with arguments as feeble as those advanced by the US at the meeting of the finance ministers and central bankers of the group of seven industrial countries in Washington, over the weekend. But the arguments were not merely indefensible; they were dangerous. Those who recalled the row between Germany and the US that preceded the stock market crash of October 1987 must have shuddered, especially since an exceptionally strong stock market preceded that meeting, too.

The US was wrong to argue that a huge demand for capital is about to hit the world economy; it was wrong to argue that strong growth in the industrial countries is needed to meet that demand; it was wrong to argue that looser monetary policy in Germany and Japan would lower the important real rates of interest; it was wrong to argue that the G7 should shift its aims from achieving non-inflationary growth to achieving growth with low inflation; and it exaggerated both the risk of a global "credit crunch" and the threat of a global recession.

What the Soviet Union and eastern Europe need is irrelevant; what matters is their demand. Neither the Soviet Union nor any of the countries of eastern Europe is now able to borrow large sums on a commercial basis. Nor are the demands from Kuwait likely to *be as big in the near term as* had been earlier supposed.

Moreover, if such a demand were to materialise, borrowers would need low long term real rates of interest. Low rates of interest would be better secured by low growth and slack resources in industrial countries than by their opposite.

Unconvincing argument

Interest rates on long term credit are determined by the availability of savings and inflationary expectations. Artificially low real rates of interest on short term money would reduce savings and increase expected inflation, precisely the opposite of what is needed.

Equally unconvincing is the US case for a shift in the aims of the G7. When the G7 sought non-inflationary growth, it delivered growth with modest inflation. What could one expect if its aim were to be growth with low inflation? Growth with high inflation, is the obvious answer.

Finally, the IMF forecasts no deep recession, but rather economic growth in the industrial countries at 2.8 per cent next year, up from 1.3 per cent this year. Nor is the "credit crunch" a global problem, but largely an American one. It is the result of an almost unbelievable series of failures in financial legislation and regulation, about which the US is going to do virtually nothing, it now appears.

Mismanagement

US arguments are not merely unpersuasive; they are cheeky. The US has received resource transfers from the rest of the world worth some $670bn in 1990 prices over the past nine years and enjoyed current account deficits totalling around $1 trillion. How can it argue that other G7 countries must adjust to borrowing needs of eastern European countries that will be negligible by comparison?

It is no less outrageous for the US to complain about high global real rates of interest when it has done everything it can to persuade Germany and Japan to eliminate the savings surpluses of the 1980s. It makes little sense to complain about a global "credit crunch" when it *is most evident in the mismanaged* financial system of the US. To the extent that it exists elsewhere, this is often because of the past willingness of other countries, notably Japan, to accommodate the US desire for lax monetary policies.

In the end, no great harm was done by the G7. Nobody can object to calls for "monetary and fiscal policies which provide the basis for lower real interest rates and a sustained global economic recovery with price stability".

Nevertheless, US policy-makers must accept two points: first, that the solutions they seek are virtually all to be found at home; second, that the principal aim of the rest of the G7 is not to secure the re-election of the president, however many specious arguments may be put up for the purpose.

Financing the hospitals

THE ROW over the decision by Guy's hospital trust to cut its staff by a tenth is a typical piece of British political humbug, exacerbated by the special circumstances of the National Health Service. The secretary for health, Mr William Waldegrave, denies responsibility for the cost-saving measures thought necessary by the trust's chief executive, Mr Peter Griffiths, although he does accept that Coopers & Lybrand had previously indicated that only 12 of the 57 self-governing trusts that came into operation on April 1 were free of financial difficulties. He might have done better, politically speaking, to try to maintain what his department calls the "steady state" throughout the first year of the implementation of the reforms – that is, no change until the system is bedded down.

At the same time the leader of the Labour party, Mr Neil Kinnock, persists in his charge that the National Health Service is "underfunded", perhaps to the tune of some £4bn, while also laying claim to such financial rectitude that if he won the election no extra money would be diverted to health until a combination of economic growth and a freeze on the standard rate of income tax had made it prudent to spend the fruits of fiscal drag.

Difficult tasks

In purely populist terms, Mr Waldegrave has the more difficult political task. He has to stand by the April 1 reform, the essence of which is that the health districts, which purchase care, shall be managed separately from the hospitals that deliver it. He has been resolute in insisting that the actions of the independent management of Guy's are Guy's business, but he is under some pressure from his own backbenchers to respond more pliantly to the usual pelting from an NHS that has the benefit of 40 years of experience of extracting money from governments by harassing ministers. He should continue to resist such blandishments.

The row has come at a particularly awkward moment – just when the Conservatives thought they had introduced the reforms without fuss, and on the very weekend chosen by the prime minister, Mr John Major, to stage a set-piece country seminar on how preventive medicine and other elements of a health strategy might be put in place. It was not thought possible to eliminate Labour's poll lead as the party to be trusted with the health service, but there was some hope that the gap could be narrowed.

NHS guardians

This may now be difficult. Spending on the NHS has increased by 41 per cent in real terms since 1979, when the present Conservative government first returned to office. The larger increases have come towards the end of the period, partly in response to a Labour onslaught in 1987-88 and partly to ease in the new structure, which was created in response to the opposition's attack. Against that, the index used by the government to arrive at its estimate of real extra spending is general and not specific to health, where costs rise more quickly as a result of advances in medical practice and the growth in the elderly population. This lies behind Mr Kinnock's "underfunding"; the humbug arises because both parties are competing on the claim to be the best steward of the NHS while neither is able to pledge much higher expenditure.

What Mr Major has stated, however, is that money saved by Guy's and other cost-cutting trust hospitals will not be snatched back by the Treasury but retained in the health service. There is an opportunity in this, if anecdotal evidence of NHS inefficiency is even half right. Labour is against trusts, but not the purchaser-provider divide; nor can it seriously oppose the construction of a cost information bank within the service. None of this constitutes a true market, but talk of putting the market to work inside the service has been abandoned by the government. The opposition cannot be expected to let go so easily of this convenient fiction. In the world outside party politics, the new arrangements hold out a modest prospect that wasteful practices, some of them imposed by health service unions and profligate consultants alike, can be excised.

New price controls will create a harsher business climate, says **Deborah Hargreaves**

The heat is on for British Gas

When householders get their first quarterly gas bills after April next year, they could see some reduction in their payments. This would be one result of the tough new price controls imposed on British Gas, which were announced in a formula yesterday.

But if those same householders are among the 5m small investors who bought British Gas shares when the utility was privatised nearly five years ago, they could see the reduction in payments matched by a slowdown in the rate of growth of the company's dividends.

British Gas stressed that the stringent new ceiling on the prices it can charge its 17m domestic gas users will not affect its policy of increasing dividends by more than the rate of infla*tion. But many City observers are* sceptical, and believe the straitjacket into which British Gas has fitted itself by accepting proposals put by its regulator, the Office of Gas Supply (Ofgas), will prove tighter and tighter over the next five years.

"Ofgas will maybe help the government meet its inflation objectives with these price proposals," said Mr Peter Nicol, a gas expert at Warburg Securities in London, "but it will also help them along the way to 3m unemployed." He said this was because British Gas's new price constraints would force it to make substantial job cuts.

The new formula means that British Gas can increase its domestic prices by 5 percentage points less than the rate of inflation – rather than the current 2 percentage points. Thus, if inflation falls below 5 per cent, gas prices will actually fall. Ofgas estimates that the new controls could leave gas prices 15 per cent lower than they would otherwise have been at the end of five years. Domestic users could benefit in another way. In a complex algebraic formula, the regulator will force British Gas to buy North Sea supplies at a lower price by capping any rise in costs that is passed on to consumers.

In response to calls from consumers that cuts in British Gas's costs should not be reflected in a lower standard of service, Mr James McKinnon, director-general of Ofgas, has also set targets for standards of service to which the company must stick. This includes, for example, the time it takes to respond to gas leaks, and how soon new customers can be connected. If British Gas consistently fails to meet these service targets, Mr McKinnon will refer it to the Monopolies and Mergers Commission, which can then impose a further price cut.

British Gas was sanguine yesterday about its ability to work within the new price formula – the severity of which has shocked many observers. "This is a very tough package," said Mr Bob Evans, British Gas chairman, "but nevertheless, we are confident we can continue to generate satisfactory rates of return and profitability". *The formula envisages a rate of* return on capital employed for the domestic business of 5 to 7 per cent. Mr Evans said this was consistent with the company's performance since privatisation when the rate of return had been just over 6 per cent before adjustment for seasonal factors.

He said the company had debated the proposals and had had three tense board meetings before deciding to accept the proposals, rather than submit the issue to a Monopolies investigation – the only alternative. One overriding reason for accepting the formula had been the need to remove the uncertainty hanging over the company's domestic business since Ofgas began its review 11 months ago. This could have meant a cloud over the company for at least another six months.

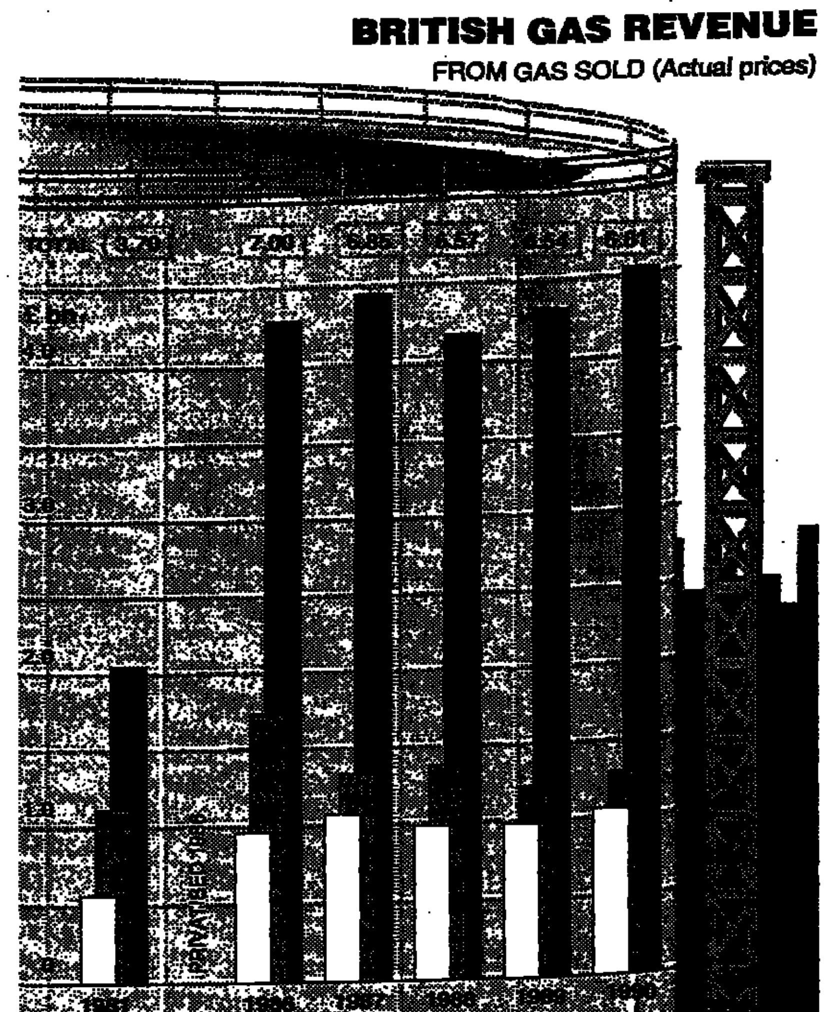
Mr Evans said British Gas had reduced its number of employees by 10,000 over the past four years while at the same time connecting an additional 1.2m customers and putting in 2m central heating units. He said the company expects continued growth in the number of new gas users which will help it to increase its efficiency. It also plans to make more use of information technology and to impose tighter scrutiny of managers in the company's 90 regions.

At the moment the City remains unimpressed as to whether these assertions can be translated into the sort of cost-cutting needed for British Gas to stay within its new price limits. Mr Nicol estimates that even with some measures already in place, and 3 per cent growth in the company's business each year, it would not be able to meet the new formula's target. He believes that if British Gas continues its current trend, the formula will knock £90m off profits for five years from April 1992. That amount theoretically could be saved by a cut of 6,000 jobs or 7.5 per cent of its workforce each year the controls are in place.

Ofgas's price control guidelines mar the outlook for British Gas. There could be some hard bargaining over details when the consultation period begins in a few weeks because Mr McKinnon interprets broadly his brief of achieving value for money for domestic customers. But he is also applying pressure to remind the company that it is not a monopoly supplier in another sector: the industrial market, where each consumer uses more than 25,000 therms of gas a year and where competition was meant to flourish after privatisation.

So far, competitors have captured only 2.5 per cent of the total industrial market – Ofgas wants British Gas to yield 30 per cent of the industrial sector to competitors by 1993.

BRITISH GAS REVENUE
FROM GAS SOLD (*Actual prices*)



The Monopolies Commission is currently investigating the workings of a government recommendation that encourages British Gas to buy no more than 90 per cent of the gas coming on stream from new fields so that competitors have access to more supplies. But the commission is expected to look into the whole question of industrial gas competition and its report, due for release in about six weeks, could force British Gas to undergo an overhaul as thorough on its industrial side as the new tariff formula will impose on its domestic side.

Competition in the industrial sector of the market has been made all the more pressing by the sharp increase in demand from power generators and by British Gas's fear that it would not have enough gas to fill that demand. One of the first fruits of electricity privatisation has been the electricity industry's abandoning of large coal-fired plant. Observers expect gas demand from generators to grow at a rate of about 2 per cent a year.

British Gas attracted widespread criticism earlier this year when its supply and demand calculations failed to predict the surge in demand in power station gas. In the absence of gas to supply this demand, it moved to choke it off by imposing a 35 per cent price increase on new gas purchases in March. Many commentators blamed the management of British Gas for failing to foresee the problem. Ofgas has now forced the company to remain in negotiations with two power station projects – Thames Power and a Mobil and Eastern Electricity joint venture – over supplying gas at the old price in a move that could end in a court battle.

One development that seems almost certain to result from the perceived gap in supply and Ofgas's new price ceiling is that the UK government will have to overcome its resistance to gas imports from Norway. British Gas is itself negotiating with Norway's Statoil over gas imports in spite of having a government veto imposed on its attempt to buy gas from the huge Sleipner field in 1985. The government must almost certainly give the go-ahead later this decade for imports in view of the fact that Norwegian gas is likely to be cheaper than UK gas from the North Sea.

These mounting pressures on British Gas mean that the company will have to introduce significant changes in the way it runs it business unless it wants to see its profits slip. Ofgas has called the existence of the company in its current form into question in the industrial market where it will have to start thinking like a competitor rather than a monopoly supplier. Mr Evans says a break-up of the company is not under consideration at present, but many observers believe that would be the only way to foster real competition in the industrial market and ensure fair prices for domestic users.


McKinnon: successful

Tough Scotsman confounds his critics

Persistence has paid off for the dogged Ofgas chief, writes **Max Wilkinson**

Ask any of the thousands of officials of the California Public Utilities Commission in San Francisco who calls the shots in the pricing and supply of gas, and you will get one answer: "We do". Unfortunately, when Mr James McKinnon was appointed director-general of the UK's Office of Gas Supply (Ofgas), nearly five years ago, nobody in British Gas seems to have listened to the fact-finding missions which went west to discover how regulation actually works. The corporation and much of the City preferred to believe the government's line that in Britain, the relationship between monopoly and officials would be entirely different.

Instead of detailed interference, with cohorts of lawyers enquiring into a public utility's business, the British system, it was said, would represent a "light rein", and Mr McKinnon, it was quietly hinted, was a semi-retired accountant (then aged 56) who would give no trouble.

This proved to be as profound a misreading of Mr McKinnon's tough Glaswegian character as it was of the Gas Act (1986). Perhaps the lorry driver's son who climbed the accountancy ranks to become finance director of the Imperial Group might then have seemed a spent force. He was unceremoniously pushed out of Imperial as part of the "old guard" when Hanson took it over and might well have retired with his pay-off.

Sir Peter Walker, then energy secretary, seems to have taken this view when he suggested, as Mr McKinnon recalls, that Ofgas would be a nice two-day-a-week job in a little office with a staff of fewer than 30.

So it might have proved except that British Gas decided on his first visit to its Embankment South Bank headquarters to teach Mr McKinnon a lesson. When he enquired how such a fine building was financed, he was told to mind his own business.

And he did. He bombarded the corporation with requests, then demands for information, then threats. He proved unexpectedly successful at PR, largely by telling the media most of what he was up to, US style. By threats of the High Court, a referral to the Monopolies Commission and *subtler hints of public interest and* political pressure, he has carried through a succession of campaigns, of which the latest on the pricing of domestic gas is the most important. The score according to one insider is: British Gas nill, Mr McKinnon five. He would not put it quite that way, but offers no better image.

Mr McKinnon once said that if both sides are bawling out the referee, he has probably got it about right. Now despite criticism that he has become an interfering US-style busybody, he says: "I have no idea of hanging up my boots". Nor, it seems, is it in his nature to refrain from using them if the game gets rough.

OBSERVER

Poacher's links

■ It sounds as if Rodney Galpin, the ex-Bank of England gamekeeper now running Standard Chartered, has been doing a bit of poaching from his old establishment.

Tony Nicolle, Hong Kong's 55-year old Commissioner for Banking since 1987, is being tipped to take a senior job in the colony at the Standard Chartered Bank later this year. He gives up his commissioner's job in five weeks and will presumably need a sanitising period before he can join Galpin's team. After all, his head will be full of the colony's banking secrets - including the hidden reserves of the august Hongkong Bank and smaller fry.

Nicolle went to Hong Kong on a three-year secondment from the Bank of England where he had worked for nearly 30 years, ending his time drafting the 1987 Banking Act.

At the Old Lady he was close to Galpin, then executive director of banking supervision, who was sanitised for a mere three months when he left to became Standard Chartered's chairman in 1988.

So there's the link - and the precedent. Maybe Nicolle will spend some time in London and elsewhere studying Standard Chartered's problems, which would surely blur anyone's memory of old forbidden secrets.

Sharp seats

■ Meanwhile, back at the Bank of England there have been some surprising signs of life. It has begun to let its bright young things sit on the subsidiary boards of industrial companies to learn what life at the sharp end is like.

Tim Sweeney, deputy head of banking supervision, already sits on the board of Trafalgar House subsidiary John Brown, and yesterday Alastair Clark, the head of financial markets and institutions, was given a seat on the board of Vickers' Rolls-Royce Motor Cars.

Officially, it's all part of a new policy to broaden the experience of some of the Bank's senior officials by providing them with insights into corporate management and decision-making processes in different industries.

But, be that as it may, the question everyone wants answered is will Clark get a company car?

Try again

■ Don't whisper it too loudly, but Britain's famous Triumph motorbike seems to be staging a comeback. What's more, although it's hard to remember how many attempts there have been at restarting the great British motor cycle industry, the latest low-key effort seems to have a better chance of success.

John Bloor, a secretive Midland's businessman who has made his fortune in construction, has just started selling the new 1,200cc four-cylinder Triumph Trophy from his purpose-built factory in Leicestershire. Costing close to £7,000 a time, the 150mph machine is aimed at snatching back a fraction of a market dominated by the Japanese. The aim is to produce 15,000 bikes a year and, while that might not sound a lot, BMW only produces 30,000 a year.

The initial word from Britain's bikers is good. Graham Sanderson, deputy editor of Motor Cycle News, says "it is quite astonishing, better than we dreamed". Whereas the rebirth of America's Harley Davidson was helped by import controls and US legislation, Sanderson thinks the Triumph should be able to stand against the competition on its own.

Obviously long-term reliability has to be proven, and the group only has 35 dealers. Bloor is not a motorbike man, and his autocratic management style has led to some staff turnover. Nevertheless, it sounds the sort of place where venture capitalists should be leaving their cards.

Battling back

■ The Paris Bourse, tired of seeing trading of French shares migrate to the London market, is to mount a counter-offensive towards the end of this year. In a UK "road show", it will tell investors that dealing on the Paris stock market offers a better deal than using the London Stock Exchange's SEAQ International.

For this "Battle of the Bourses", the Parisians are hoping for further support from new research being done by Marco Pagano of the University of Naples and Ailsa Roell of London School of Economics.

The pair have already lent credence to the Paris cause. Last year they reported a spread between buying and selling prices for French shares in London of 1.52 per cent, compared to 0.41 per cent in Paris. They also did much to puncture London's claim to run a more liquid market for big bargains, saying the Paris bourse could absorb large deals just as easily.

Roell is quick to point out that the new study of market differences is not sponsored by the French. But, she adds, Paris has been eager to ply the researchers with data.

See through

■ The promotion of two more women to high places – Catherine Bell as head of competition policy at the Department of Trade and Industry, and Jane Drabble as assistant managing director of BBC Network Television – adds momentum to the belief that organisational "glass ceilings" have been cracked if not removed. Certainly, employers are helping it along by making a PR song and dance about appointing female executives.

The reality, however, is different. A survey by the National Economic Development Office shows that, while around 25 per cent of junior managers are women, they hold less than 2 per cent of senior management jobs. Moreover, in the private sector especially, there's little sign that the balance is changing.

Mixed up

■ Irish psychiatrist Anthony Clare, better known as the top people's media shrink, has just indulged in a bout of navel gazing at Ireland's Management Institute.

The good news, he said, is that the Irish are charming, hospitable, talkative, imaginative, gregarious and generous. The bad news is that they are not only feckless and fatalistic, having an inferiority complex and being terrible begrudgers – they're obsessional with it.

Taiwan's bridge to the mainland

As Taipei prepares to end its 42-year-old state of 'war' with China, **Peter Wickenden** reports on the challenges facing the tiny island state

As Taiwan's ruling Kuomintang (Chinese Nationalist party) prepares to end a 42-year state of "war" with the communists in Peking, it is bracing for the first time to fight for its own survival.

Tomorrow, President Lee Teng-hui will announce the end of the "period of communist rebellion", declared by Chiang Kai-shek's Nationalist government in 1948, one year before being driven off the mainland by Mao Zedong's communist forces in 1949.

In one stroke, Mr Lee will set Taiwan rolling towards relative democracy under a representative government, and also open the door to a new relationship with Peking.

To bolster their claim to be the real government of China, the Nationalists suspended the constitution and the president assumed extensive emergency powers during the "rebellion". They also froze in office indefinitely all mainland-elected members of both the National Assembly, which itself amends the constitution and elects the president, and the legislative Yuan, or parliament.

Four decades on, still represented in these two bodies by a minority of Taiwan-elected members among a sea of ancient, bearded and doddery mainlanders, the general public rose up in mass protest last year, demanding rapid and thorough electoral reform.

After more than 200 meetings involving thousands of people, the KMT came up with a constitutional reform plan that the old cadres in the Assembly reluctantly passed in exchange for party cash. When President Lee tomorrow ends the state of war with China, the old guards' tenure will be ended. Then the Taiwanese will elect a new parliament and National Assembly.

The new assembly, to be elected at the end of this year, will go on to debate further reforms such as direct presidential elections, whether to opt for a presidential or cabinet system, and the restructuring of electoral and administrative areas.

The KMT regime will now have to prove its legitimacy at the ballot box, and in theory it is laying itself open to a fair fight. However, to KMT conservatives who dream of reconquering China, and to the younger Taiwan-born cadres who have vested interests in the maintenance of the status quo, defeat by another party is unthinkable.

Thus one of the most controversial parts of the KMT's reform plan is that the president will retain his emergency powers. He will also remain directly in charge of the powerful National Security Council, which co-ordinates intelligence and anti-subversion activities.

Mr James Chen, deputy secretary-general of the opposition Democratic Progressive party, says: "The president will still have dictator-like powers. The National Security Council falls outside legislative control." The DPP fears that the council, and two related bodies, will direct their activities against the still-outlawed Taiwan independence movement as the threat from China's communist regime diminishes.

President Lee assured the nation in a speech last week that he would use his powers prudently.

The new National Assembly and parliament will also uphold the government's most enduring shibboleth – that it is the sole legitimate government of all China. About a quarter of the seats in the two bodies will be reserved for nominal "mainland" representatives, who will be elected in Taiwan but have no constituency. This arrangement serves to convince Peking that the island is not claiming to form a truly independent government, because it retains an imagined link with the mainland.

The KMT's plan also includes a few seats for representatives of Chinese communities overseas. The KMT believes ethnic Chinese worldwide should have a say in the future of their homeland, and that some of them are rich and powerful enough to lobby foreign governments on Taiwan's behalf. The DPP wants these seats scrapped, arguing that the loyalty of anyone who holds two passports and rarely visits Taiwan is questionable.

The DPP's Mr Chen thinks the KMT's continued monopoly of television and radio will prevent his party getting more than a quarter of the votes in the new National Assembly, and that this will enable the KMT to dictate the course of future reforms.

But even with the dice heavily loaded in the KMT's favour, the DPP won a fifth of the contested seats at a general election in December 1989, held to fill seats vacated by mainlanders who expired in office.

President Lee Teng-hui: new relationship with Peking

Under the KMT's scheme, the new legislature will not be elected until late 1992, and although the new National Assembly is to be elected this year, it will not elect a new president until Mr Lee Teng-hui's six-year term is up in 1996.

That gives the KMT a breathing space in which to shore up its image in the public policy areas where it has failed badly; corruption, law and order, a seriously overloaded infrastructure, appalling pollution, and squalid urban living conditions.

Conservative KMT premier Mr Hau Pei-tsun has thus conceived a Six-Year Plan costing 8.2 trillion New Taiwan dollars (more than $300bn), which requires bond issues on an unprecedented scale. It also includes a new north-south motorway, a high-speed railway, several urban rapid transit systems, a fourth nuclear power plant, airports, industrial zones, parks, leisure facilities, and shopping centres.

Starting just weeks after the end of the "war", the Six-Year Plan is already helping Taiwan break out of diplomatic isolation, which to its citizens has often meant embarrassment and inconvenience in foreign travel and business. Anxious to get a slice of the public works pie, France, Germany and Italy have all recently broken diplomatic taboos by sending senior officials to Taipei, while Australia, New Zealand and Canada have ignored Peking's protests about violation of its "sovereignty", and negotiated direct air links. European countries are likely to follow.

From a weak point a year ago when it was ravaged by factionalism and forced to bend to public pressure, the KMT is beginning to pull itself together. In gradually strengthening and legitimising its rule by reform, it also hopes to weaken and supplant growing support for the Taiwan independence movement.

Opinion poll results suggest that rather than outright independence, the Taiwanese want two things that are contradictory, and are pushing the KMT towards pursuing them: international recognition and the maintenance of their de facto independence; and an open policy toward China that gives the Taiwanese freedom to go there and make money.

Taking this into account, the KMT's long-term goal, with no timetable attached, seems to be a kind of superficial unification with the mainland that would leave Taiwan with its government, its system and its own international connections intact. Anything remotely similar to the Hong Kong arrangement, where Peking ultimately acquires control, would be regarded as an unacceptable sell out, which the KMT would not risk attempting.

Jumping the gun that ends the war with a confidence born of investment dollars and economic clout, the government on Sunday sent a semi-official delegation to talk to Peking for the first time in 40 years.

Nominally private but mainly government funded, the Straits Exchange Foundation is headed by top KMT politburo members, and takes its orders directly from the cabinet's Mainland Affairs Commission.

Top KMT mainland policy architect Ma Ying-jiu says that unification, and even direct trade and transport across the Taiwan Straits, are a long way off. The SEF's first job is to facilitate "people-to-people contacts", in order to eliminate hostility and build up mutual trust and recognition.

When the SEF group returns from its week-long "courtesy visit" to Peking, Taiwan will have recognised the existence, though not the legitimacy, of the enemy regime. How fast Taiwan continues to open up will depend on the warmth or otherwise of Peking's reaction.

Joe Rogaly

Cardboard citizens

Most Londoners squirm when they encounter a street beggar in the centre of the city. Is this someone in genuine need? A threat, a potential mugger? A lazybones who prefers to collect both the dole and coins from passers-by rather than take an unappetising manual job? It is impossible to tell. The result is that every decision to proffer or withhold one of the coins that jangle in your purse or pocket is taken on *ad hoc* grounds. The temptation to walk on by is strong, and not easily or often overcome. Sometimes there is an especially plaintive look in a young face; out comes the silver. Sometimes a largish youngster looks menacing enough to be worth buying off. Pay again.

This is absurd. You expect beggars in Bombay or Calcutta. India is a Third World country within which a First World middle-class is rapidly emerging. The rise of the tide of street people in New York over the past decade has been striking, but here again there is no surprise. The failure of the United States to raise the standard of living of most of its black and many of its Hispanic citizens is well-known. In France the steady inward flow of indigent North Africans accounts for at least some of the unfortunates one sees on the streets.

London is supposed to be different. The British welfare state was designed to eliminate the need for begging among all sections of the population. It is self-evidently not doing so. The reason why is plain. What we are witnessing is a spin-off of the Thatcher years. That this is so is suggested by an intriguing set of statistical tables in the latest issue of Economic Trends, published by the Central Statistical office (proprietor: H.M. Treasury).

The CSO's annual analysis of the effects on household income of taxes and benefits has been reworked for earlier years, mainly to adjust the numbers to take account of family size and composition. This makes comparisons as close to reality as possible. A freshly-adjusted 1977-88 series is therefore available. "The main conclusion," says Economic Trends, "is that the distribution of income has become more unequal over the 11 years".

Yes yes, I am aware that "more unequal" does not mean that the poorest are necessarily worse off in absolute terms; it may be that their incomes have simply not grown as fast as those of the rich. But consider the implications of what Economic Trends has to say. The official statisticians try to get to the heart of the matter. Taking raw material from the continuous family expenditure survey, they record all cash income after tax. This includes pay, dividends, and state benefits. They then subtract indirect taxation such as VAT, and in some tables add a figure for assumed benefits in kind, such as state education and health services.

The bottom line tells the story. In 1979 the poorest fifth of all households accounted for 9.5 per cent of post-tax income (before benefits in kind); in 1988 the figure was 6.9 per cent. The share of the second lowest fifth fell slightly. The middle bands remained more or less level. The share of the top fifth rose from 37 per cent to 44 per cent, no doubt adding to the ranks of people whose feelings of guilt may make it pay to beg. All this is after the redistributive effect of the welfare state.

The British welfare state has self-evidently failed to eliminate the need for begging

The explanation lies partly in the severing of the connection between benefit increases and average earnings, and partly in the shift from direct to indirect taxation. Raising VAT from 10 per cent to 15 per cent in 1979, plus other indirect tax increases, hurt the very poor. They paid 21 per cent of their gross income in indirect taxes in 1979 and 29 per cent in 1988. The top band enjoyed a slight fall – from 21 to 20 per cent. The disparity is somewhat less when you take into account assumed benefits in kind, but not very much.

There is little doubt that the relative living standards of the lower income groups have deteriorated since these figures were compiled. The 1988 budget was a bonanza for the rich. The hard-nosed social security reforms of Mr (now Sir) Norman Fowler, introduced in the same year, were hardly a bonanza for the poor. The first full year effect of these regressive measures was felt in 1989. Even after rebates the poll tax, introduced last year, almost certainly cost the lowest fifth of households more than the special increase in social security payments given to them to offset it. This year, to offset the cut in local taxation, VAT is up again, to 17½ per cent. We have seen how that hits the worst off.

We are talking here about state pensioners, single mothers, families with large numbers of children whose head is unemployed and unlikely to return to work, and so on – some 11m individuals in all. Many of these are people who are unlikely to own their own homes, as some 70 per cent of the English do. Their children often cannot afford either to rent in the shrinking private market or to buy. It is hardly surprising that such an "underclass" should throw off a few beggars.

It is not that the Tories are unconcerned: last Friday Sir George Young, the housing minister, opened a 45-person shelter for ex-residents of cardboard city, London's mini-shantytown. He was pushing his department's "rough sleepers' initiative". The new shelter, in the financial centre itself, is run by the St Mungo association as a joint undertaking with the government, Business in the Community, and Islington council. It is a worthy initiative: St Mungos sets out to rehabilitate its guests, with the aim of helping them find jobs and places to rent.

I do not know what better there is to do: a Labour government would spend a bit more, and I guess a Tory government might further increase VAT to finance public sector services. But neither party is proposing a return to 1979 tax structures. Yet in Britain, in 1991, there should be no reason to beg.

LETTERS

Shades of economic development

From Dr Bob Mason.

Sir, Stanley Katz made a number of interesting points in his article ("East Europe should learn from Asia", April 24) about the problems inherent in eastern Europe's adopting the "liberal" free market approach to entry into the world economy. Proposing the state-interventionist or "corporatist" strategy of Japan and the newly-industrialised countries (NICs), Katz's solution certainly appears viable in the light of the NICs' experience from the 1950s to 1980s.

However, two points are worth making. First, although there are signs that Czechoslovakia and Hungary are beginning to adopt a "corporatist" approach (in contrast to Poland's liberal free market policies), because of a short-sighted economic focus, it is doubtful whether the OECD states and international banking institutions would offer political or economic support to countries adopting a long-term export substituting strategy (a core element in the success of NICs). The debt problem in eastern Europe in particular would need to be radically reduced for this approach to get off the ground; but witness the current political row over the 50 per cent write-off of Polish debt to western governments.

This raises the second point in that any strategy adopted in eastern Europe, as Katz rightly concludes, will need public support. However, the social problems of the NICs have often been played down in the west (even in Japan last year this was manifested in urban unrest in Osaka). In particular, the often appalling conditions of female industrial workers in NICs demonstrates the social price paid for "success" in the world economy.

These problems may well be repeated in eastern Europe unless greater forms of political and industrial democracy are developed, whereby the populations achieve a genuine involvement in changes in their societies. This is not utopianism, but a political necessity. It is in the interest of neither east nor west to see social unrest pushing countries such as Poland into authoritarian solutions in relation to free market reforms.

Bob Mason,
lecturer in industrial relations,
University of Strathclyde
50 Richmond Street, Glasgow

From Mr Patrick Williamson.

Sir, In his exposition of a policy for economic development Mr Katz's inclusion of Hong Kong among countries that exert a degree of control over their economies is misleading.

In fact, Hong Kong is an example of a different policy for economic development. Specifically, the Hong Kong government provides neither protection from import competition, nor export incentives, tax or other financial help; nor are key prices adjusted through tax rebates, tariffs, duties and subsidies.

It is not for us to take sides as to which is the better policy for whatever circumstances others find themselves in, but our policy has served us remarkably well.

P. Williamson,
special representative,
Hong Kong and
Economic Trade Office,
Avenue Louise 228,
Brussels

An anomaly in the constitution

From Mr Julian Rowse.

Sir, What welcome relief to read your leader "Changing the constitution" (April 26). Electoral reform and especially fixed term parliaments are vital.

There was however one major omission – the removal of the Monarch's constitutional powers. There continues to be an anomaly in that the fair society we strive to create is one based on advancement through merit and yet at the same time the head of state is a hereditary position. Which political party will grasp this thorny issue?

Julian Rowse,
259 West 10th St, New York

Fax service

LETTERS may be faxed on 071-873 5938. They should be clearly typed and not handwritten. Please set the fax machine for fine resolution.

Cutting the thrust of competition

From Mr David Blunkett.

Sir, Your editorial ("Steel: crisis, what crisis?" April 22) raises some interesting questions about how Britain obtains fair competition while retaining what is left of its own industry. It was Britain, after all, which suffered 50 per cent of the cutback in European steel production in the 1980s, as is clearly shown in the following statistics.

David Blunkett,
MP for Sheffield Brightside,
House of Commons, SW1

High speed steel bar imports (tonnes) 1990	
From EEC	2,228
From EFTA	1,095
From others	254
UK producers deliveries	723
Total deliveries	4,300
Import penetration %	83
Import penetration 1970 %	6

Tool steel bar imports (tonnes) 1990	
From EEC	7,560
From EFTA	3,422
From others	267
UK producers deliveries	4,445
Total deliveries	15,694
Import penetration 1990 %	72
Import penetration 1970 %	4

Pensions: the unacceptable wait

From Mr Bryn Davies.

Sir, Mr Brian MacMahon, chairman of the National Association of Pension Funds, tells us that rather than having a compulsory equalisation of pension benefits for men and women it would be better "...made on a voluntary and planned basis within an acceptable timescale". (Letters, April 26). What he is mainly against is compulsory retrospection, which he says is "...both impractical and expensive".

He does not explain why retrospection is impractical, and I suspect that his use of the word, except in relation to a limited number of schemes which have kept inadequate records, is simply rhetorical.

What is more understandable is the pensions industry's opposition on the grounds of cost. But even here most of the figures I have seen quoted so far for the overall cost have been unreasonably high and in some cases absurd. They seem to have been put forward more as part of a propaganda war than as a serious actuarial assessment.

Pension costs are notoriously difficult to pin down. But the impact of the additional costs of equalisation will be much lower than often suggested, for the following reasons:

- a significant number of schemes have already equalised benefits (see the NAPF's own survey);
- many of the schemes which have not equalised benefits in theory have done so in practice, for example allowing men to retire early on unreduced benefits;
- for many schemes, lowering the retirement age for men means significant savings on the cost of death benefits and ill-health pensions;
- costs can be spread over a long period and do not all have to be met "up-front".

Mr MacMahon showed no understanding of unequal benefits now clearly being against the law of the land. He seems to be aligning himself with the protesters against the poll-tax who campaigned under the slogan "can't pay – won't pay"!

When the NAPF say that there should not be any element of compulsory retrospection, it means that it will take 40 years or more before all discrimination in pension schemes is eliminated. This is clearly unacceptable. We can only hope that a more constructive response is forthcoming from the pensions industry.

Bryn Davies,
director and actuary,
Union Pension Services,
50 Trinity Gardens, SW9

FINANCIAL TIMES
Tuesday April 30 1991

Pulling together but in different directions

Peter Norman watches the Group of Seven's efforts to formulate a unified policy on world interest rates

THE WEEKEND meeting of representatives of the Group of Seven leading industrialised countries established the principle that policy co-ordination need not involve various countries pursuing the same policies at the same time.

While the US failed in its short-term goal of getting Germany to cut its interest rates, the discussions among the finance ministers and central bank governors of the US, Japan, Germany, France, Britain, Italy and Canada should pave the way for lower interest rates in the months ahead.

The communiqué followed a time-honoured ritual of papering over the cracks among the seven sufficiently to enable each participant to claim that its views had prevailed.

The German delegation could point, in support of its refusal to cut rates, to that part of the final statement in which the G7 underlined its "common objective of sustained growth with price stability."

The communiqué also "emphasised the importance of monetary and fiscal policies which provide the basis for lower real interest rates and a sustained global economic recovery with price stability."

The G7 finance ministers, it added, "believed that such a medium-term strategy was the best way of reducing potential risks and uncertainties in the current outlook."

The US, which has underlined its fears of a global recession in recent weeks, could draw comfort from a recognition in the communiqué that there was a persistence of high real interest rates and a slowing of economic activity in countries which until recently had been experiencing strong expansion.

The G7 bridged the gap between its members by agreeing "to monitor the situation closely and to take actions as needed within the co-ordination process, with a view to achieving a sound recovery and a growing world economy."

The US will hope that such words will exert some pressure on Germany not to tighten monetary policy to combat what it sees as burgeoning inflationary pressures.

Yesterday, Mr David Mulford, US Treasury Under-secretary for international monetary affairs, said he thought Germany would hesitate to raise rates after the meeting.

Mr Pierre Bérégovoy, French finance minister, said Germany told the meeting that it might cut its rates this year.

Further remarks from him suggested that the G7 had adopted a strategy, outlined last week by the International Monetary Fund in its World Economic Outlook, to cut rates as the financial markets allow. He said that world bond markets at the long end were giving clear signals to cut rates. "It is up to the monetary authorities not to disappoint the markets." The G7 participants "reaffirmed their commitment to co-operate closely on exchange markets" but otherwise did nothing to halt the current strength of the dollar.

There were signs after the meeting that some ministers and central bankers thought the dollar may be nearing a peak.

Mr Bérégovoy said that political factors, rather than economic fundamentals, were keeping the dollar strong.

Mr Karl Otto Pöhl, president of the Bundesbank, said on Sunday that he thought the German economy was a "bit oversold" by financial markets and that this situation would correct itself.

"It is not all doom and gloom in Germany," he said.

Background, Page 8; Editorial comment, Page 18

Guerrillas urged to let Kurds return

By Michael Littlejohns at the UN and **Our Foreign Staff**

ALLIED military commanders yesterday urged Kurdish guerrillas not to hinder civilians who wish to return to the town of Zakho where a protected refugee camp has been set up.

Maj-Gen Jay Garner of the US army hosted a meeting at his Zakho headquarters with a dozen *peshmerga* (Kurdish guerrilla) leaders. British, French and Dutch officers also attended.

"We asked them to come in and discuss the return of their people," said Maj-Gen Garner. "A *peshmerga* checkpoint was refusing to let people return."

Kurdish leaders deny that they have a policy of preventing refugees from leaving the mountains on the Turkish border and going to Zakho, but they acknowledge that they are still concerned about the presence of some 50 Iraqi policemen in the area.

President Turgut Ozal of Turkey said it was essential for the allies to remain in northern Iraq to give confidence to the returning Kurds.

"If the allied powers do not maintain their presence in northern Iraq, the Iraqi Kurds will start running again as soon as they see an Iraqi soldier," he told the Iranian news agency.

Mr Erik Suy, the special United Nations envoy, said it would be difficult to reach agreement on a British proposal for a UN police force to replace the allied troops in northern Iraq. "It is a very beautiful idea," he said. "But if the United Nations has to provide sufficient security, they have to be better armed than a policeman. It will be very difficult to get agreement, since we need a decision of the Security Council, and I don't know if there is enough consensus there."

Britain, however, hopes to obtain broad Security Council agreement for its plan without the need for a formal resolution, diplomats said yesterday.

Following discussions with representatives of the US and France, which support the initiative, Sir David Hannay, Britain's ambassador to the UN, planned to broaden the consultations last night to include the Soviet Union and China.

Both of these permanent members are traditionally wary about UN intrusion into a state's domestic affairs. China takes over the council presidency tomorrow under the monthly rotation system.

There are precedents for deploying UN civilian police in trouble spots without the prior adoption of a Security Council resolution, according to UN authorities.

They cited the example of Cyprus in 1964 following ethnic clashes and, more recently, the despatch of police to Namibia to maintain order during the country's transition to independence from South Africa.

There was no immediate public comment by Mr Javier Pérez de Cuéllar, the UN secretary general, on the the British plan, which has EC backing.

He is already alarmed by mounting bills for UN involvement in Gulf operations and the failure of most members to pay their share.

British officials said it was envisaged that Iraq should pay for the proposed UN police force in the north out of its future oil revenues.

Iraq has meanwhile given a detailed answer to the UN's request for more details on its nuclear material after an earlier response was rejected as inadequate, the International Atomic Energy Agency said yesterday.

Helping hand: A US marine passes food parcels to Kurdish refugees in Zakho yesterday

German union chiefs reject calls for wage restraint

By David Marsh in Bonn

GERMAN trade union leaders reacted angrily yesterday to suggestions that high wage rises were dampening economic prospects – as engineering workers prepared for widespread warning strikes today to back a 10 per cent pay claim.

Germany's five leading economic research institutes, in their latest joint six-monthly report, said the level of wage settlements, at 6 to 7 per cent, jeopardised prospects for economic growth in 1992.

The institutes, predicting a fall in this year's growth in west Germany to 2.5 per cent from 4.5 per cent last year, said the latest pay settlements would only be "acceptable" if workers accepted much more moderate wage rises for 1992.

Although the institutes' warning was given predicable backing by Mr Theo Waigel, the finance minister, the German Trade Union Federation (DGB) rejected the report's conclusions. Mr Michael Geuenich, a member of the DGB board, said companies were still making "excellent profits" and could therefore afford the level of settlements.

The verbal flurry came on the eve of warning strikes called today for about 100,000 workers in the engineering and electrical industries, following breakdown of pay talks with the IG Metall trade union.

The strikes are expected to cause extensive disruption in the car industry, with plants of Volkswagen, Ford, Audi, Mercedes-Benz and Porsche all targeted.

Employers have so far offered a pay rise of 4 per cent for nearly 4m workers covered by IG Metall. Sporadic strike action is expected to continue next week unless agreement is reached.

The report from the five institutes also warned about the high level of wage rises in east Germany where wage rates are 60 per cent above last year.

The institutes' report drew attention to the worsening of Germany's internal and external finances caused by unification, forecasting that united Germany will show a small deficit on current account this year after a current account surplus of DM77bn ($43.5bn) for 1990.

The Bundesbank last week criticised high wage rises in the east as holding back investment there.

But Mr Franz Steinkühler, the IG Metall chairman, said lower wage rises would go into the pockets of employers in the west rather into rebuilding east Germany.

Brussels told to probe electronics sector

By David Buchan in Luxembourg

EC INDUSTRY ministers yesterday papered over their main differences on remedies for European electronics by asking the Commission to organise an urgent high-level investigation of the troubled sector.

Ministers agreed that Brussels should, after consulting companies and governments, produce concrete proposals "as rapidly as possible" to target EC-funded research more effectively, as France has demanded.

But they also undertook to maintain competition in the sector, as Britain urged, and not to favour big EC companies to the detriment of smaller or non-EC ones, as Ireland and other countries on Europe's periphery feared.

Yesterday's council debate clearly reflected concerns by Britain and some smaller countries that, in the wake of a supposedly secret meeting in France 10 days ago, certain commissioners were cooking up a package of financial aid/trade protection for the big French, Dutch, German and Italian electronics companies.

Therefore the Commission was asked yesterday to widen its dialogue with industry.

Mr Roger Fauroux, industry minister of France, which is pushing most insistently for EC action to ward off the Japanese challenge, stressed that keeping Europe in the electronics race was vital for civil and military reasons.

"The electronic fireworks seen during the Gulf war would not have been possible had all the chips been in Japanese hands," he said.

Referring to current Brussels scrutiny of his plans to aid state-controlled Bull and Thomson, he said that it would be "very odd if one were to claim EC support for companies and deny governments the means to help companies".

Ministers agreed that plans such as that discussed by Europe's three big semi-conductor producers – SGS-Thomson, Siemens and Philips – to merge their research were for the companies to decide.

But if they did so decide, Mr Fauroux said, he did not expect the Commission "would brandish the lightning bolts of EC competition rules to thwart such a merger".

The pricing of Japanese electronics deserved thorough investigation for possible dumping, he said.

Although seeing no case for higher regular import tariffs, France sided with the Netherlands in wanting to maintain the 14.9 per cent tariff on semiconductors.

Germany was prepared to see only a modest cut in that tariff and could not agree to Britain's stress on the interests of European chip users, rather than producers.

This was a response to Lord Hesketh, junior UK industry minister, who sought to ridicule Commission and French plans for trans-European electronic networks to benefit computer-makers, saying "few would regard road investment as something to be manipulated to serve the concrete industry."

UK economic recovery 'round corner'

Continued from Page 1

reforms carried out by the government. He said that such reforms could have made the labour market more flexible and that there were indications that wage increases might be moderating.

Addressing the Interim Committee, Mr Lamont said that removing barriers to trade had a vital part to play in giving the world a non-inflationary boost. A resumption of negotiations in the Uruguay Round of trade liberalisation talks was "vital" and it was "particularly important" that there should be less protection of agriculture in the European Community and elsewhere.

He also called on the world's industrialised nations to apply existing rules under the General Agreement on Tariffs and Trade (Gatt) and to operate export credit schemes on an unsubsidised basis.

The provision of export credit that could not be fully repaid had involved a large sacrifice by taxpayers in creditor countries and constituted a form of government interference in free trade that was damaging to growth and efficiency in developed and developing countries alike, the chancellor said.

Mr Lamont said the UK would charge higher premiums for taking on risk and be more cautious about extending guarantees. He hoped other countries would do the same.

Dollar rise continues

Continued from Page 1

currency analyst at the London office of Citibank, the US bank, said the dollar was likely to carry on appreciating, to reach DM1.90 by the end of June.

Several European central banks last week sold the dollar, as part of an effort coordinated by the Bundesbank to curb its rise.

However, the Federal Reserve failed to join in this action and traders said yesterday that, in the absence of any specific German commitment to reduce interest rates, it was unlikely to help in any programme of intervention over the coming weeks to bolster the D-Mark.

Trader Eugene Chang at BankAmerica in Los Angeles said: "I definitely think this is the year for the dollar, but the only question is whether we go down to 1.72 marks before we go up again."

WORLDWIDE WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	F	16	61	Berlin	C	10	50	Caracas	C	30	86	Faro	S	20	68	Islamabad	C	29	84
Algiers	F	20	68	Biarritz	S	15	59	Casablanca	S	18	64	Florence	F	19	66	Istanbul	F	13	55
Amsterdam	C	8	46	Bombay	F	31	88	Chicago	C	17	63	Frankfurt	S	14	57	Jakarta	C	30	86
Athens	F	19	66	Bordeaux	F	17	63	Cologne	C	9	48	Geneva	S	15	59	Jersey	R	12	54
Bahrain	S	31	88	Boulogne	F	12	54	Copenhagen	R	3	37	Gibraltar	S	20	68	Johannesburg	F	22	72
Bangkok	F	35	95	Brussels	C	11	52	Corfu	F	19	66	Glasgow	R	11	52	Lima	C	24	75
Barcelona	S	16	61	Budapest	F	18	64	Dallas	S	14	57	Helsinki	F	9	48	Lisbon	S	20	68
Beirut	–	–	–	Buenos Aires	F	23	73	Dublin	R	9	48	Hong Kong	C	29	84	London	R	11	52
Belfast	R	7	45	Cairo	F	37	99	Dubrovnik	R	17	63	Innsbruck	C	10	50	Los Angeles	S	14	57
Belgrade	F	17	63	Cape Town	S	21	70	Edinburgh	F	11	52	Inverness	S	13	55	Luxembourg	S	12	54

		°C	°F			°C	°F			°C	°F			°C	°F			°C	°F
Madeira	C	17	63	Milan	S	15	59	Nicosia	F	25	77	Salzburg	C	12	54	Tenerife	F	20	68
Madrid	S	18	64	Montreal	S	8	46	Oporto	S	18	64	San Francisco	S	9	48	Tokyo	C	18	64
Majorca	F	19	66	Moscow	R	7	45	Oslo	F	13	55	Seoul	S	19	66	Toronto	F	12	54
Malaga	S	20	68	Munich	R	8	46	Paris	C	14	57	Singapore	F	33	91	Tunis	F	18	64
Malta	F	18	64	Nairobi	C	13	55	Peking	S	25	77	Stockholm	C	7	45	Valencia	S	20	68
Manchester	R	8	46	Naples	F	18	64	Prague	F	14	57	Strasbourg	S	15	59	Venice	S	17	63
Manila	F	36	97	Nassau	F	31	87	Reykjavik	C	4	39	Sydney	–	–	–	Vienna	S	17	63
Melbourne	–	–	–	New Delhi	S	38	[illegible]	Rhodes	C	25	77	Taipei	F	30	86	Warsaw	F	15	59
Mexico City	C	29	85	New York	C	11	52	Rio de Janeiro	C	33	91	Tangier	S	21	70	Washington	R	13	55
Miami	S	27	81	Nice	S	16	61	Rome	F	17	63	Tel Aviv	F	35	95	Zurich	C	9	48

Temperatures at midday yesterday C=Cloudy Dr=Drizzle F=Fair Fg=Fog H=Hail R=Rain S=Sun Sl=Sleet Sn=Snow T=Thunder

THE LEX COLUMN

Paying the bill for German unity

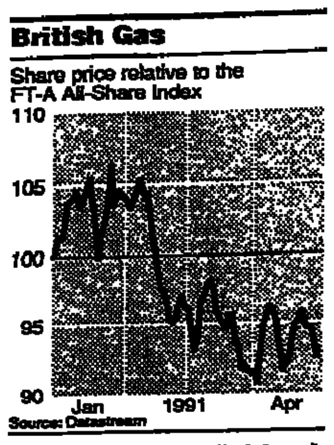
THE G7 wrangle has been billed as a battle between German monetary rectitude and US profligacy – with virtue winning on points. Judging by the arguments with which the five German economic institutes yesterday attacked the case for higher interest rates, German rectitude is not what it used to be. High inflation by itself would help slow economic growth, they said, and a further tightening of monetary policy was therefore unnecessary.

When economists with feebler currencies put such arguments, the German economic establishment met them with a horse-laugh. No more. With wage settlements running at 6 to 7 per cent, and likely year-end inflation around 5 per cent, the historic German trade-off between rising prices and economic growth seems to have shifted.

Germany's original partners in the narrow band of the ERM mostly have relative inflation targets, not absolute ones. The Netherlands perhaps apart, they are as happy at 4¼ per cent inflation as at 3 per cent, so long as Germany is at 5.The German voter's preference for paying the unity bill in higher prices rather than higher taxes gives the ERM a dragging anchor at the expense of higher European inflation and, in time, lower bond prices.

Part of this is doubtless already in the price; the next move in German bond yields could even be downwards. But if Germany really is developing a higher tolerance for inflation, such a drop might not last. UK investors wondering if convergence with German inflation levels means a long term shift into bonds and out of equities still have much to ponder.

British Gas



On the face of it, British Gas has accepted a much harsher pricing regime than the market was expecting. Yet the shares barely moved, so perhaps the Ofgas review was in the price after all.

That probably under-estimates the company's efforts yesterday to limit the damage. In admitting the scale of available efficiency gains, British Gas gives a hint why it was so keen to avoid referring the proposals to the Monopolies and Mergers Commission.

Accepting the Ofgas formulae on domestic pricing and cost pass-through may have been a risk; but presumably it seemed a lesser one than exposing the company's remaining layers of post-privatisation fat to the official scalpel.

The question is whether the review leaves British Gas less able to deliver real earnings and dividend growth. Even allowing for the gas industry's heady expansion, the company's medium-term rate of annual earnings growth may have halved to around 5 per cent. Anything more will largely depend on the success of the cost cutting programme. As for dividend prospects, the water and electricity sectors look far more stable.

British Gas shares have steadily under-performed the market this year; in relative terms, they are not far off where they were three years ago. The prospective yield of 6.7 per cent is justified until the company proves the case for a better rating – assuming, of course, that the regulator does not further tighten his grip.

Granada Group

It looks as though Derek Lewis's days in charge of Granada may be numbered. The shares have underperformed by more than 50 per cent since the beginning of 1989 and institutional shareholders appear to be baying for blood. Mr Lewis cannot be blamed for all the recent errors – but he is rightly held accountable for the costly diversification into computer services. Even if the basic thinking cannot be faulted, management feuding between the division's component parts should have been stopped sooner.

The most important question, though, is when the long rumoured rights issue will finally materialise. Granada is highly geared – more than 80 per cent on the basis of the last published report and accounts – and capital spending, though down, is likely to be around £200m in the current year. Still, the group can relieve the pressure through disposals, with bingo likely to be first on the block.

Delaying an issue till the end of the year to take advantage of hoped-for signs of economic recovery, a clearer outlook for BSkyB and a renewed TV franchise, might seem attractive. Against that, there is currently a proven appetite for paper – at least with Mr Lewis out of the way – and some may feel it prudent to strengthen the balance sheet ahead of the forthcoming TV bid. The Independent Television Commission, which will award the franchise, is clearly minded to give Granada another term – as long as its overall corporate health can be demonstrated.

Taurus

While the Department of Trade and Industry is worrying whether stockbrokers' analysts should lunch with the companies they cover – it seems to be concerned that they might learn too much – a much more important issue for London's financial markets is in limbo. Taurus, the paperless share settlement system which is vital if London is to remain the centre of Europe's securities industry, has already been delayed. Now the hold-up is lengthening because the DTI cannot decide whether to regulate Taurus itself, delegate the job to London's existing regulatory organisations, or leave it to the Stock Exchange which will build and operate the system.

The neatest solution would be to leave the job to the Exchange, reporting to the DTI. Regulation is quite messy enough in London already. It is to be hoped that the DTI can tell a lunch from a landmine.

Investment trusts

UK investment trusts spent years wondering how to narrow the discount between their share prices and net asset values. Now, with paper in fashion and some of the more specialised niche trusts commanding premiums, a growing band of managers is rushing to the market with rights issues. Yesterday's £9.1m cash call by TR High Income Trust might seem a touch opportunistic, designed to improve the management company's own bottom line. It can be defended, though, as a reasonably attractive way for individuals who have taken out personal equity plans with Touche to step up their investment. Even so, such issues should not become a habit.

FINANCIAL TIMES SURVEY

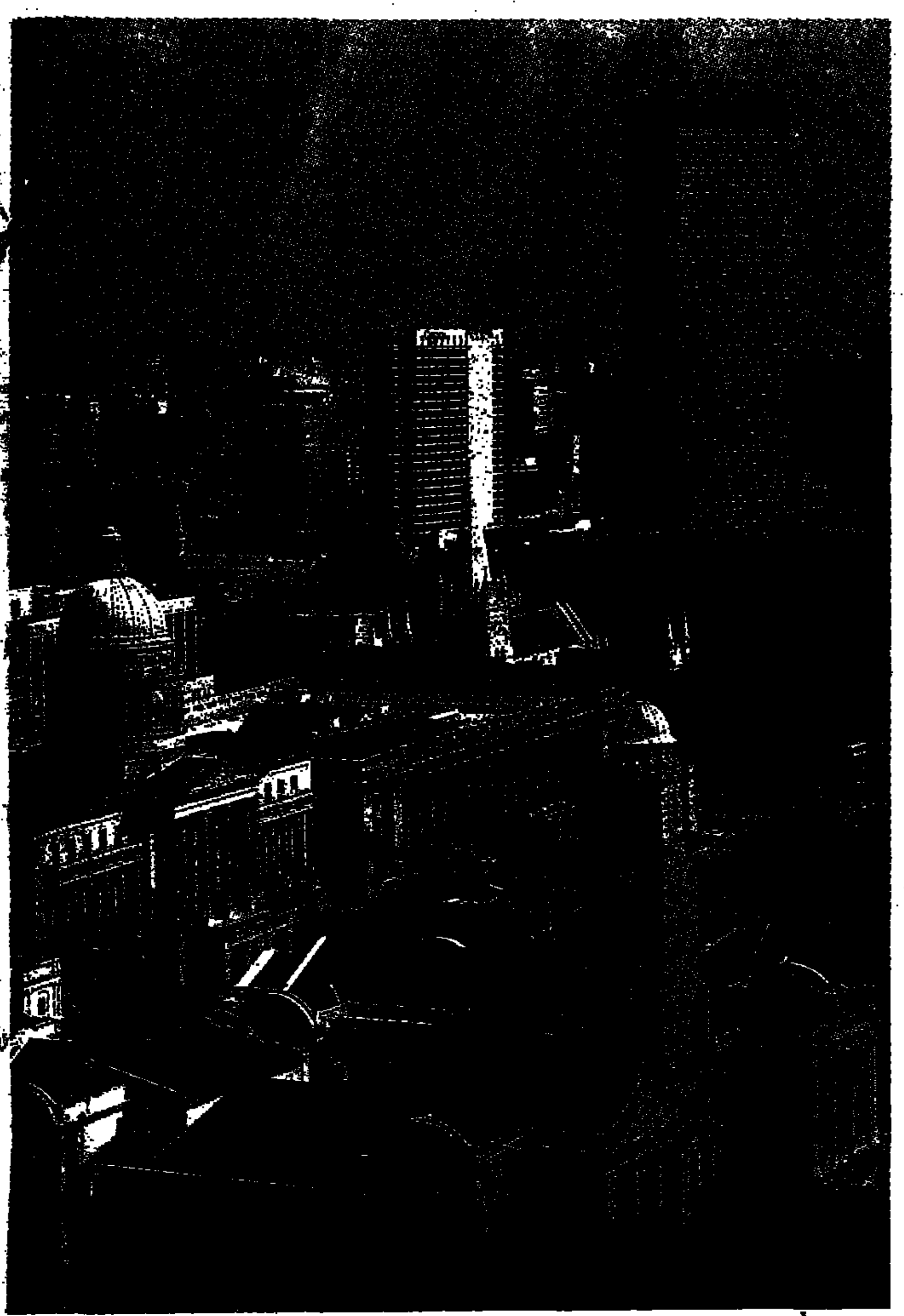
SINGAPORE

POLITICS: critics argue there is little room for real opposition, **Page 2**

ECONOMY: government signals optimism as gloom begins to lift, **Page 4**

SECTION III

Tuesday April 30 1991



Tower of Raffles City rises above the old colonial buildings

Glyn Genin

Singapore's success as an entrepôt trading nation has given it a standard of living that is second only to Japan in Asia. However, many sections of the island republic's multi-racial society are seeking changes. **Paul Taylor** and **Peter Montagnon** report

Preparing for the next lap

ONE of the hottest selling items in Singapore's book shops this year is a hardback called *The Next Lap*. For just S$9 the government-sponsored book offers Singaporeans a glimpse of the future that Singapore's government and intellectual elite has mapped out for them into the next century.

The book's title and content are significant. Last year saw the tiny island republic celebrate its first 25 years as a sovereign independent nation. Then at the end of November Singapore witnessed its first change of prime minister in 31 years as Mr Lee Kuan Yew stepped aside for a second generation of groomed leaders led by Mr Goh Chok Tong.

Prime Minister Goh and his team have inherited responsibility for a multi-racial country of just under 2.7m mainly ethnic Chinese people whose success, as a entrepôt trading nation, has given them a standard of living, measured by a $12,000 per capita gross national product, second only to Japan in Asia and ahead of many European nations. However, they are increasingly demanding change.

Singapore, and its leaders including Mr Lee Kuan Yew, who remains a powerful figure as senior minister and secretary-general of the ruling People's Action Party, can be proud of most of what has been achieved. Even though, as government critics suggest, it has been at the cost of creating an antiseptic and dull society which leaves little room for individual creativity or imagination and no room for real political opposition – as those who have dared stick their heads above the political parapet have discovered.

Even some of the PAP's younger backbenchers such as outspoken Mr Davinder Singh, a lawyer who probably speaks for many who are dissatisfied with the style of government, complain in parliament that "government runs virtually every aspect of our lives."

Singapore is a meritocracy run by a hand-picked, well-paid elite who feel that the rights of the individual must be subservient to the perceived greater good of the community. Singaporean-style parliamentary democracy has been tailored to this end.

Such concerns have their roots in Singapore's relatively recent birth as a nation. After surviving the trauma of Japanese occupation, Singapore won independence from Britain only to be thrown out of the newly-created Malaysian federation a few years later. Since then, Singapore's older generation of leaders have mostly succeeded in channeling this sense of isolation and vulnerability into a powerful driving force for economic advancement. This is in spite of the substantial number of part-time, elderly and other poorly paid hourly workers who have not fairly shared in Singapore's economic rise.

Nevertheless, a panoramic view of the city reveals a bustling port, the busiest in the world, skyscraper office blocks rivalling those in Tokyo, New York or London, and smart, clean, streets and highways. There are hefty fines for littering, smoking in public places, jay-walking and many other misdemeanors. The mass transit underground system is almost as good, and much less crowded than Tokyo's, Changi airport, with its new second terminal, is a symbol of national pride and efficiency.

These achievements, particularly in the field of telecommunications and information technology, have a longer-term aim. Singapore sees itself as the Switzerland of Asia, a communications, business and economic hub for the region.

The list of multinational companies with manufacturing facilities and/or regional headquarters in Singapore proves the policy has worked. As big neighbours such as Indonesia, Malaysia and Thailand get on the fast track of development, and Indochina opens up, there will be competitors but, as Prime Minister Goh says: "We believe we have many years of head start."

Singapore's economy, in spite of a few hiccups, including the recession of the mid-1980s, has thrived. Last year exports rose by almost 10 per cent to a record S$95.2m – almost half as much again as the country's GNP, while its foreign exchange reserves, believed to be understated, grew by S$9.9bn to S$48.5bn.

This year, the government is forecasting GNP growth of between 3 and 6 per cent, down from 8.3 per cent last year. Based on an impressive first quarter performance, growth is likely to be at the top end of this range or above. This worries the country's cautious economic planners who are always alert to the risk of overheating and who believe the maximum sustainable non-inflationary annual growth rate is about 6 per cent.

Singapore is short of land, but an even more critical constraint is labour. Government planners reckon that the country could accommodate 4m people and has set a target birth rate of 50,000 a year, but in spite of an active campaign to encourage a higher fertility rate, birth rates are failing to match the population replacement rate. There are political constraints on expanding the substantial percentage of imported labour.

To offset these weaknesses the government is encouraging labour intensive manufacturing industry to move offshore, particularly to its lower wage cost "growth triangle" partners, Indonesia's Riau islands, and Malaysia's Johor state.

However, Singapore recognises that it must maintain a cost competitive manufacturing base, even if the service sector, and financial services in particular, continue to account for a growing proportion of GNP. Therefore it is attempting to move local manufacturing further up the capital intensive technology ladder identifying and promoting niche high technology industries such as bio-technology.

Continued economic success is important for political reasons. As Prime Minister Goh says: "So long as the economy is growing, there is plenty for everybody, I don't think people will fight over small things. But if the pie is shrinking, that will be the real test of whether we are cohesive, solid or whether we are fragile."

Singapore's new prime minister accepts that gradual changes, to make Singapore a more gentle, gracious, compassionate and entrepreneurial society with less government intervention and more privatisation are necessary.

In spite of some immediate changes, there is still some scepticism among some Singaporeans that Mr Goh will, or can, deliver on all his promises. Critics point out that many of the most restrictive laws, including the internal security act, are still on the statute books, and likely to remain so for some time.

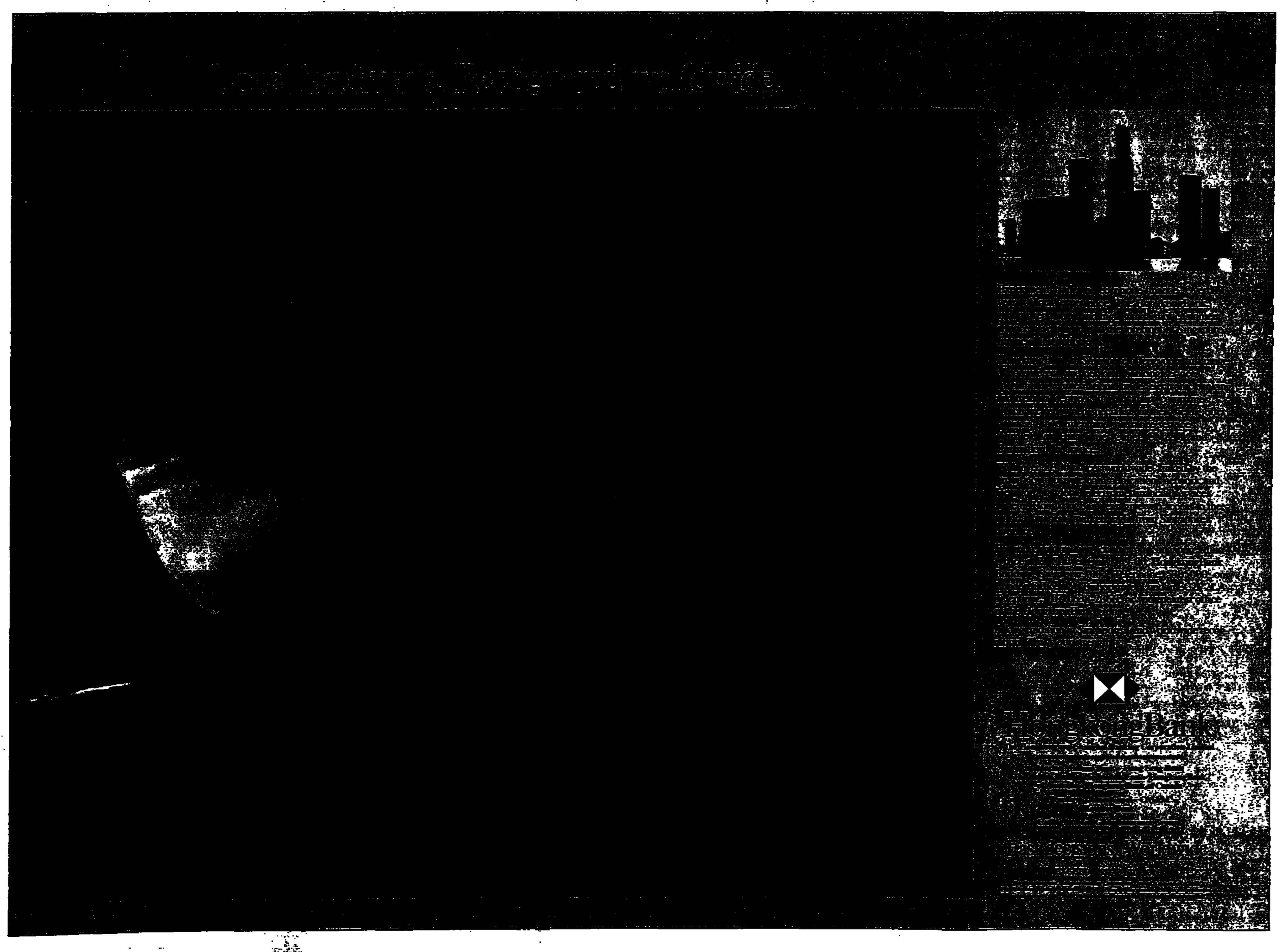
This is probably because while Singapore's new leaders accept that some changes are inevitable they worry about speed and direction. While it is said the people trust the government more than their stockbrokers it is apparent that the government does not believe Singaporeans are mature enough to make all their own decisions – for example on how they spend or save their money.

Rapid change in Singapore is therefore unlikely. The government is trying to foster a Singaporean identity, defined in terms of shared or common values – most of which would have been readily accepted in the Victorian West – while emphasising the importance of preserving ethnic roots, be they Chinese, Malay or Indian.

Perhaps the greatest dilemma Mr Goh's team faces is how to pace the next lap. If Singapore's rules and regulations are eased too quickly the government risks losing some central controls. If change is too slow, or fails to materialise, the expectations Mr Goh has built up among Singapore's younger citizens in particular, could result in another setback in popular support for the PAP at the ballot box in general elections due by the end of 1993. The wrong pace might risk Singapore slipping in the economic sweepstakes of the fastest growing region in the world.

IN THIS SURVEY

Editorial production: Phillip Halliday



■ POLITICS: critics argue the nation has a stage-managed parliamentary democracy

Quiet grumbles among the partners

POLITICS, Singaporean style, is, most of the time, a well organised gentlemanly affair, based upon consensus and a tried and tested partnership between government, private sector and unions where meritocracy usually triumphs.

Critics argue that Singapore is a stable, stage-managed parliamentary democracy. Although elections are held at least once every five years, and there are more than 20 registered political parties, the near total dominance of the ruling People's Action Party and its cadre of carefully screened and selected MPs provides little room for real opposition.

It is, say its critics, effectively a one-party state and likely to remain so unless the next elections, due by the end of 1993, provide an unexpected upset.

With a growing economy, full employment and relatively harmonious race relations there is little open evidence of discontent, although opposi*tion figures claim there is* much quiet grumbling – quiet because of "fear of speaking out openly against the PAP." One or two Singaporeans voice concern about "excessive controls, rules and regulations" and the Singaporean government's paternalistic attitude towards its citizens, but for the most part criticism is muted.

Mr Goh Chok Tong, succeeded Mr Lee Kuan Yew as prime minister last November in a clockwork-like transition which epitomises Singaporean political efficiency. He knows the next elections and his government's and the economy's performance ahead of them, will be a crucial test for him and the PAP.

"My primary focus in the next two years is domestic politics. I want to win the next elections as prime minister. If I don't get that right, the rest doesn't follow," he says.

"I can only do so by showing Singaporeans that I have made a difference to their lives, I've made their lives better."

Lee Kuan Yew: was prime minister for 31 years

Only at the ballot box will it be possible to gauge how successful his promised new style of more open, consultative and "gentler" government has been.

Mr Goh knows he faces some formidable challenges. Although his transitional team has been in place since the mid-1980s, he has inherited a party and political structure still largely controlled by Mr Lee Kuan Yew who, aside from being senior minister inside the Goh cabinet, remains secretary-general of the PAP. This is a party formed and molded by an older generation of leaders steeped in the battles of the 1950s and 1960s against colonialism and the threat of communism.

Even today, with communism in retreat throughout the region, PAP leaders still paint a picture of a precariously vulnerable Singapore, a Singapore which is "fighting for survival and trying to be a nation".

In the early days, Mr Goh likens Singapore to "refugees on a small sampan", which needed "a strong captain". Now he says Singapore is "more like perhaps a trawler or a hovercraft going at high speed. There's more room for the people to move around on board. At the same time, the boat can capsize if you don't control their movements because if there are fights on board, the boat can still capsize."

There is evidence that Mr Goh's second generation team is indeed cautiously accepting the inevitability of limited change. While rejecting the term liberalisation he has begun a gradual movement towards decentralisation and greater individual decision-making – provided basic core Singaporean values, recently laid out in a five-point set of "shared values", are still adhered too.

Among recent actions he has instituted town councils, chaired by local MPs who are empowered to run Singapore's numerous housing estates. This is a small step in power devolution, perhaps equally importantly it forces MPs with little or no feel for the grassroots, to talk with, rather than down to their constituents.

While Mr Goh says Singapore is emphatically not heading towards the creation of a western-style welfare state, he says "we are looking for schemes which can add to this compassionate side of a competitive society."

There is a new emphasis on *the arts, film censorship rules* are also being eased, albeit cautiously, and it is likely that Singaporeans will be allowed greater access to the foreign media including television. The Goh team has, say western diplomats, actively encouraged more lively parliamentary debates and even constructive criticism.

Such moves are largely dismissed by the Government's critics such as Mr Chiam See Tong, a member of the Singapore Democratic Party and the one elected opposition member of parliament, who allege that parliamentary debates still resemble boring orchestrated puppet shows.

He argues the changes made so far are cosmetic rather than real.

Mr Goh and his new team recognise that most Singaporeans are increasingly well educated and travel and they cannot be totally insulated from outside, often western, influences. He also appears to have taken on board that Singapore, chronically short of labour, cannot afford to lose those mostly well-qualified academics, professionals and others who vote with their feet each year and leave Singapore for new lives in Australia, Canada and elsewhere.

As a recent Singapore Straits Times investigation showed, few are inclined to return in the current political atmosphere. More fundamental political and social changes may therefore eventually be necessary. Singapore is however unlikely to become a western-style open democracy.

Other factors mitigate *against any rapid change. As* the prime minister acknowledges, the PAP, as a mass party is relatively small.

Nevertheless, in the last general elections in 1988 almost 40 per cent of the electorate did not vote for the PAP. Prime Minister Goh and others accept this was a protest vote to some extent by people who were unhappy with some of the governments more contentious decisions.

Although the swing against the PAP in the last elections was much smaller than the 12.6 per cent swing against the party in the 1984 elections, PAP leaders, including Mr Goh recognise the slide in the popular vote must be halted. If the PAP's popular vote were to drop below 55 per cent Mr Goh *admits the Singaporean poli*tics could become unstable.

Goh Chok Tong: faces a crucial test at the elections

The 1988 general election produced one single elected opposition MP in the 81-seat parliament, and two co-opted non-constituency members, both from the Workers' Party, Dr Lee Siew-Choh and the since disqualified Mr J B Jeyaretnam.

There is no real opposition in parliament. Mr Chiam, who has increased his share of the popular vote in each election he has contested, naturally expresses disappointment over his party's past electoral performances. In the next general elections he is hoping, probably against all odds, for "between five and 10 seats".

That he says would give the opposition in parliament "a *viable base.*" Like Dr Lee Siew-Choh he is a fierce critic of PAP tactics at election time.

"The opposition is not really given a fighting chance. In Singapore, anyone who comes out and opposes the PAP openly faces the use of all of the government apparatus against them," he says. Every aspect of private life "is put under the microscope." That, he claims, makes it very difficult to find good opposition candidates.

Such charges are denied by the PAP leadership which argues instead that the opposition parties lack any real viable alternative programmes.

"We don't think there will be a big role, [for an opposition party]" says Mr Goh, "The fact they want to be outside, they want to question the government, that's all right. That is their role. We allow it. We are not trying to eliminate them entirely."

Some believe a more vigorous opposition may one day emerge within the PAP. Suggestions of a potential split are played down by Mr Goh and other PAP stalwarts.

Even opposition MP Mr Chiam See Tong concedes, there is unlikely to be a PAP *split* while Mr Lee Kuan Yew, still seen even by his most ardent critics as the "father of the nation" is "on the scene."

Mr Lee Kuan Yew retains a powerful political voice – a voice that could be enhanced should he decide to stand for the newly created post of elected president, something he has only ruled out for the first elections.

Asked whether the former prime minister is still pulling the real power strings Mr Goh replies: "No he is an influential figure. To say that he pulls the strings would be unfair to him, would be unfair to me and to my colleagues. But to say he is an influential figure in the team, I would not deny it."

He is also more than willing to tackle the potentially equally thorny question of his succession. He makes no secret of his desire to step aside after 10 years, and that Mr BG Lee Hsien Loong, the former prime minister's son and now first deputy prime minister is one obvious successor.

"We are already looking for them [the new team now] I am trying to prepare a team that can take Singapore into the next century."

Paul Taylor

■ FOREIGN POLICY: pragmatism born out of vulnerability to changes in world economy

A series of overlapping relationships

FOR the small multi-racial island state of Singapore, foreign policy has inevitably been primarily determined by *domestic economic and* national security considerations – its life blood is trade and it is wedged between the Moslem-dominated countries of Malaysia and Indonesia.

"We must make a living," says Mr George Yeo, senior minister of state for foreign affairs, "and then we must look after our security so that we *can continue to make a liv*ing. I think our entire foreign policy turns on these two modalities. The smaller you are the *more* acutely you feel these two modalities."

> Singapore is not about to let its guard down

Singapore's low key, pragmatic foreign policy stance, like many other important decisions, stems not only from the fact that in global terms Singapore's voice is still just a whisper in spite of the country's obvious wealth, but also from the widely held view among Singaporean's that they are fragile and vulnerable in both economic and strategic terms.

"Singapore's total trade is about three times the size of its gross national product, which means we are very vulnerable to changes in world trade and world economic growth and we are particularly linked to the state of the US economy," says Mr Goh *Chok Tong, the prime minis*ter.

"Fragile in the sense that we are three different communities located on a very small island. So long as the economy is growing, there is plenty for everybody, I don't think people will fight over small things. But if the pie is shrinking, that will be the real test whether we are *cohesive, solid* or whether we are fragile," he says.

The prime minister has made it clear that his priorities over the next two years are domestic rather than foreign and that in the foreign policy arena in particular he will lean heavily on the advice of former prime minister Mr Lee Kuan Yew.

Singapore's former prime minister is the architect of much of the country's foreign policy, and while there may now be small changes they are unlikely to be radical. It was Mr Lee who maintained close links with both Taiwan and China which eventually led to Singapore normalising relations with Peking last year – but typically only after Indon*esia had moved first.*

It was Mr Lee who, in spite of the receding communist threat in Indochina, insisted that Singapore should stand fast behind the sanctions against Vietnam until there is a comprehensive UN peace settlement in Cambodia and it was the former prime minister who, in what some have *described as a parting gift* delivered a water supply agreement with Malaysia late last year.

Mr Lee, a veteran analyst of superpower influence in the region, also foresaw the danger of a power vacuum in the region should the US, described by Mr Yeo as the most benign superpower be forced, for domestic budgetary reasons, to withdraw from the region.

In November Singapore, to the chagrin of Malaysia in particular, signed an agreement with the US to allow greater American use of Singapore's military facilities, and in spite of serious misgivings about any Japanese military build up, has encouraged Tokyo to "help strengthen the [US] pil*lar and not to build an alterna*tive."

In fact, Singapore's foreign policy is based upon a series of *overlapping relationships* – "the more beams, rafters and columns the safer our space," says Mr Yeo. "We are very loath to remove any one of them because they are old and crumbly, we leave them there."

> In the foreign policy arena the prime minister will lean heavily on the advice of Mr Lee Kuan Yew

As a small country Singapore is a fierce advocate of the upholding of international law, particularly by the UN. It sent a small contingent to the Namibia peace keeping force and a medical team to the Gulf. More particularly it is simultaneously a member of the Five Powers Defense Arrangement along with Malaysia, Australia, New Zealand and the UK. It is an increasingly active participant in the Association of South East Asian Nations (Asean) whose *summit it will host, probably* early next year.

The agenda, according to Prime Minister Goh, is likely *to focus on Asean's political* future now that tensions in the region, particularly Indochina, are easing.

However, Mr Lee Hsien Loong, first deputy prime minister and Mr Lee Kuan Yew's son notes: "One of the reasons Asean has been successful is that we do not try and cohabitate closely together, we are friends and we have generally the same views on issues that affect us . . . we work on areas where we can agree and where we see eye to eye, where there are disagreements or differences we just put those aside for a moment."

Singapore has supported the fledgling Asia Pacific Economic Co-operation forum and, some suspect as much for political as economic reasons, *Malaysia's proposal for an* East Asian Economic Group.

Perhaps most significantly and in spite of some criticism that Singapore's foreign policy is still too reactive, it is gradually and very cautiously beginning to parlay its economic power into political influence, at least within the region.

Although Singapore gener*ally resists giving aid, prefer*ring instead to provide technical assistance and training, the so called growth triangle concept, embracing Singapore, Malaysia's southern state of Johor and Indonesia's Riau islands is, with Singaporean determination, becoming a reality.

"Singapore is like the power house," says *Prime Minister* Goh, "and they are trying to plug into this power house in order to attract investments to Batam and Johor."

Aside from eventually providing a separate source of water for Singapore, the growth triangle concept will almost certainly bring about closer economic and political co-operation between the three nations.

So far, Singapore has signed a memorandum of understanding with Indonesia, although Johor is said to be keen to do the same. As Mr Lee Hsien Loong says, "eventually there will probably be a trilateral piece of paper but there is no great hurry."

In spite of occasional hiccups, relations between Singa*pore and its immediate neigh*bours "have never been as good as they are now," says Mr Yeo.

Singapore exists and prospers by being of use to others. Today there is considerably more economic co-operation and more joint defence exercises between Singapore and its neighbours, in spite of *some lingering suspicions.*

However, that does not mean that Singapore is about to let its guard down. Singapore, with its efficient and powerful, albeit small, military machine, has been likened to a brightly coloured poison prawn while Mr Goh has described the country as being like a porcupine. Neither *is to be trifled with.*

Either way the intention is to deter aggression through a combination of plugging the island state into as many multilateral agreements as possible (a small fish is safer swimming in a shoal), careful diplomacy, and as a last resort, by maintaining a well equipped and trained defence *force.*

"We must be prepared to explore multiple approaches for regional security which will accommodate big and small regional countries in a constructive framework that will minimise conflict and encourage dialogue, confidence and co-operation," Mr Wong, the foreign minister said in a recent Parliamentary debate.

> There is far more economic co-operation

The long term security of the region, he said, was "best *served by having an engage*ment of all powers, large and small, if necessary in overlapping and multiple security and political frameworks."

Paul Taylor

■ SHIPPING: port prospers from its strategic location

Efficiency gives a keen edge

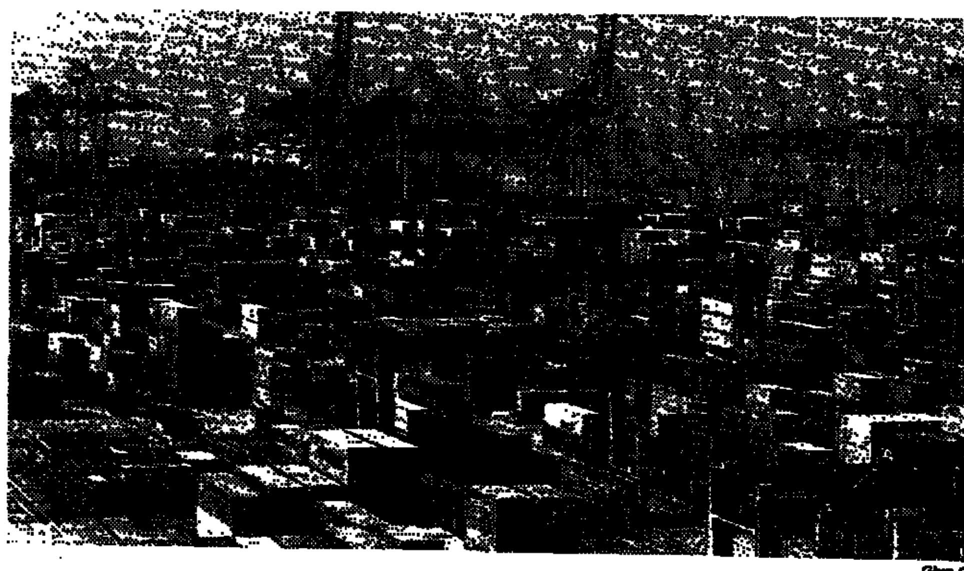
LIKE Hong Kong, Singapore is blessed with a deep water harbour as its only significant natural resource. Unlike the British crown colony, however, it cannot rely on the business of a large immediate neighbour such as China to help ensure that its port facilities thrive.

Singapore has thus been thrown back on its regional connections and strategic location on the main shipping routes between Europe, Japan and the rest of the Asia-Pacific region to develop a port which generates half its business offshore and claims to be a world cargo hub.

Singapore is not only the world's busiest port in terms of shipping tonnage handled, it also last year pipped Hong Kong at the post to become the world's largest container port. Containers handled rose 20 per cent to 5.22m 20 ft equivalent units (TEUs) compared with 5.1m in Hong Kong. The story of the port is typical of Singapore's approach to economic development, right down to a present serious struggle with capacity limits. It owes its success to a classic local combination of government-mandated enterpreneurialism and invest*ment in high technology that* has brought about a keen edge in efficiency and productivity.

Though a public board responsible to the government, the Port of Singapore Authority (PSA), is expected to do without subsidies and pay its share of tax in the form of a 10 per cent levy on turnover and a further 20 per cent on operating profit. It is expected to finance its capital investment internally.

Thus it has been forced into an intensely commercial approach. The PSA markets itself actively around the world and prides itself on customer service. According to Mr Goon Kok Loon, deputy executive director, important selling points include predictability of berth availability and speed of turn round. Mr Goon says the average containership can now be turned round in 10 hours.



Singapore last year pipped Hong Kong to become the world's largest container port

Glyn Genin

The port is not only an integral part of Singapore's concept of itself as a regional transport and communications hub. It helps underpin other local service industries such as banking and brings in a wide range of ancillary business.

Thus demand for warehouse space has risen through Singapore's position as a designated delivery point for contracts written on the London Metals Exchange. It has become an accepted handover centre for ships which are sold in the second-hand market, and this has helped the ship surveying business, Mr Goon says.

Singapore enjoys a significant niche in ship repair and maintenance. In spite of high local wages, this sector has been buoyed up by the high level of its technology, which means repairs can be done quickly even to sophisticated modern tankers.

It has thus managed to stay cost-effective in comparison with rival centres such as Korea, and now, according to brokers Smith New Court, is looking to an increase in business maintaining tankers built in the active years of the early 1970s and which are coming up for special survey and repair.

By contrast Singaporeans play a less dominant role as shipowners. Though it is home to Neptune Orient Lines, which has a modern fleet and an aggressive expansion policy, the country boasts few entrepreneurs willing to take on the risks of large fleet ownership. Its shipping fleet ranks only 13th in the world.

The government has taken steps to correct this by extending local tax benefits to ships registered outside Singapore. Industry executives say part of the aim was to encourage ship owners to transfer business to Singapore from Hong Kong and to help ship-management business, which is seen as an important ancillary service.

"Singapore has become a new option as a base for operations," says Mr Chung Chee Kit, executive director of Steamers Maritime. However, there has been no immediate rush to set up shop in Singapore and other executives say they are still uncertain about *the impact of the move.*

Back at the port, Mr Goon is unphased by Singapore's well-documented labour shortage. The large increase in volume in the last 20 years has compelled the port to move in the direction of computerised automation. Computers now decide where containers should be stacked and in what order they should be loaded and unloaded.

This in turn has allowed the port to shed some 3,000 workers over the last decade, leaving a total of 7,115 workers last year. Most of those that remain are expected to be computer-literate even if their job is simply driving a crane. All are expected to undergo at least six days training a year.

To cope with what has become a serious shortage of capacity, the PSA is investing some S$1.1bn in a new container terminal. The first berth should be ready by 1992 and, when the terminal is finished in 1996, the port's container handling capacity will have doubled to 10m TEUs.

So confident is Mr Goon of continued productivity growth, that he says this large expansion will be accompanied by only a slight increase in the labour force. It may not be possible to improve much on the speed of turnround.

With a net surplus last year of some S$459m last year and over S$2bn invested in fixed *deposits in the bank, the* money needed to pay for this investment is also scarcely a problem. Indeed, if anything, eyebrows are more frequently raised at the way in which the PSA, like other utilities in Singapore and in spite of its heavy investment programme, has accumulated large cash reserves. The disposition of this surplus may turn out to be a much bigger headache than growing the business.

Peter Montagnon

■ BANKING SECTOR: a period of turbulence is expected

In search of global status

Bank loans and advances to non-bank customers ($m)						
	1966	1970	1980	1988	1989	1990
Total loans and advances including bills financing	1,028.3	2,187.7	20,206.9	41,848.8	50,785.9	57,896.4

Source: The Monetary Authority of Singapore

Assets and liabilities of Asian currency units ($m)						
	1968	1970	1980	1988	1989	1990
Assets (liabilities)	30.5	389.8	54,392.6	280,477.2	336,581.8	390,251.3

Source: The Monetary Authority of Singapore

THANKS largely to a strong stock market in the early part of last year, Singapore's financial services industry put in a spectacular performance in 1990, with a growth rate of 22 per cent making it the mainstay of the overall economy.

That performance is unlikely to be repeated in 1991, at least by the banking sector. The economy is growing more slowly; domestic loan demand is less robust; and the interest margins of domestic banks are narrowing as more surplus deposits are directed towards the interbank market.

All these factors are likely to depress the profits of domestic banks this year, but continuing strong activity in the foreign exchange market and buoyant regional loan activity means the financial sector should still be underpinned by a solid contribution from the offshore Asia currency banking market.

According to Mr Lee Ek Tieng, managing director of the Monetary Authority of Singapore, the growth rate posted by the financial services sector will still be in double digits. As far as the domestic banks are concerned, it is a forecast which masks a period of turbulence going beyond the merely cyclical.

It is generally admitted that Singapore's local market of 2.7m consumers is over banked with 23 full foreign banks, 14 restricted ones and 13 local banks. Bankers and stockbrokers say the authorities have begun to push the idea of rationalising the domestic banks with a view to creating institutions large enough to acquire international status.

Singapore banks need to follow their manufacturing clients who are investing overseas, says Mr Richard Hu, finance minister. "If they want to consolidate, we'll be happy. Size is an advantage, clearly."

"We are over banked," adds Mr Wee Cho Yaw, chairman of United Overseas Bank. "Even local banks have to go outside Singapore." UOB, which is Singapore's second largest bank, opened a joint-venture bank in Indonesia last year. Mr Wee says it would like to expand into Thailand and Taiwan. The details of the banking consolidation are still a matter of speculation, but the common belief in the financial community is that the so-called "big four" will eventually be reduced from four to no more than three.

One much-discussed possibility might be for the government-owned DBS Bank to absorb Overseas Union Bank, currently the smallest of the four. But the situation was complicated last year by the acquisition of Asia Commercial Bank by Keppel, the state-linked group whose activities range from finance to ship repair. Keppel's entry into the market and its desire for more acquisitions has introduced a fifth player into the equation.

The debate has also focused attention on the protection afforded local banks. US bankers, in particular, complain of unequal treatment, which they say is at variance with Singapore's claim to be an enthusiastic free-trader of services as well as goods.

Though foreign banks, such as Citibank, Hongkong Bank and Standard Chartered, account for 61 per cent of domestic banking assets, they face limits both on the number of branches and automatic teller machines. This has restricted their access to the retail deposit market and forced them to fund themselves on the more expensive interbank market. They say they have also been hampered by their inability to join the debit cards fund transfer network.

Foreign bankers say they expect Singapore to remain under pressure to end this discrimination in the talks on liberalising trade in services in the Uruguay Round of the General Agreement on Tariffs and Trade. Now that they need to expand abroad, domestic banks have discovered that protection has come at a price. They have neither the size nor the skills and efficiency to compete easily in the global market place.

The government last year raised the permitted foreign stake in local banks to 40 per cent from 20 per cent, a level which has since been reached only at OCBC Bank, which ranks number three of the big four. Now it sees no need for further liberalisation.

One of the MAS's main concerns is to ensure sound banking in Singapore's small market. The domestic banks are required to be highly capitalised by international standards; the MAS is proud of its record as a regulator and vets would-be newcomers closely.

As a result the domestic industry has been first insulated from and then dwarfed by the large international players to whom Singapore plays host. In keeping with its wider policy of trying to be a service centre for multinationals, Singapore sees itself as primarily a provider of infrastructure and related services to international banks rather than a player in its own right.

Much to the satisfaction of the MAS, activity in the offshore banking market has continued to grow apace. Average daily turnover in foreign exchange last year was nearly $80bn, up 30 per cent on the 1989 level. Offshore banking assets rose 16 per cent to $390bn, and fund management business is growing as the region becomes more wealthy.

According to government figures, offshore loans to non-bank customers grew at a record 45 per cent, reflecting the rapid growth of the regional economy. Assets channelled into the interbank market grew much more slowly, at a rate of just 4.5 per cent.

The interbank slowdown was marked in the second half of the year as both Japanese and US banks reined in their international business. However, there are as yet no signs that this is spilling over into regional lending to non-banks which remains buoyant.

Insurance is an example of a domestic industry whose initial development was impeded by conditions on the local market.

The reason in this case was the stranglehold of the Central Provident Fund over the local savings market. Private sector economists say this hampered the development of the life insurance industry in Singapore. The affluence of recent years has changed this and life insurance business begun to grow rapidly, helping the private sector to develop new savings industry skills.

The MAS, which moved last year to subject insurance brokers to stricter regulations and capped their commissions, is keeping a strict regulatory eye on the industry.

The aim is to foster a sound reputation which will help attract large players to base their regional business in Singapore. The authorities have long sought to compliment the services offered by international banks with an offshore insurance market. A series of tax breaks is available on both reinsurance and captive insurance business.

Offshore reinsurance premiums last year grew by 26 per cent to a total premium income of some S$892m, but captive insurance business declined by some 2.6 per cent. Today there are still only some 44 captive insurance companies active in Singapore, way short of the critical mass needed for this particular sector.

Peter Montagnon

PROPERTY

Indicators that point all ways

THE pent-up demand caused by fears during the Gulf War crisis erupted, in the case of The Waterside condominium project, with 100 eager home-buyers and speculators camping overnight outside the sales office.

Within nine hours, the more fortunate of the 400 people who turned up to buy the 168 apartments, had snapped up 93 per cent of the units worth up to S$1.1m.

Within days, some were being advertised at a 32 per cent mark-up. However, that scenario was not repeated for the office, retail, hotel and factory sectors. Only the supply of quality warehouse space has been tight in the past few years due to a lack of development.

Office rents rose 35 per cent in the first 9 months of 1990, stabilised, and then fell; retail rents along the main Orchard Road shopping belt dived during the Gulf crisis before levelling off and pulling upwards and no one is building hotels.

Rents of S$12 per sq ft have dipped to about S$8

In spite of The Waterside's success, property experts generally agree on several trends: rental periods will be of longer duration; rents and prices for all sectors are going down; and buildings are going to be decentralised.

Several crucial factors impact the property sector: the supply coming onstream, the projected slowdown in the economy, government plans to make landed property more affordable to Singaporeans while influencing market prices through land sales.

The Japanese are enlarging their impact on the property scene, while there is the Hong Kong factor to consider.

Residences will be more affordable when the government eases planning guidelines to make landed properties more affordable to Singaporeans by allowing smaller semi-detached houses to be built, new type terrace houses closer to the road, and bigger built-in areas for bungalows.

Meanwhile, property consultants Jones Lang Wootton forecasts 4,115 apartments and condominiums being marketed this year, and 4,853 more over the next two.

Forseeing a substantial increase in the supply of office space, landlords have been offering six-year leases instead of the traditional three years. This appeals to tenants, particularly multinational corporations used to longer-term agreements to help fix rentals and increases.

The office sector reached historical levels in rentals, values per sq foot and yields in 1990, notes Richard Ellis, property consultants.

However, the Gulf War uncertainties and weakening economies of Singapore's trading partners caused rents to stabilise and capital values to drop about 10 per cent.

Rents of S$12 per sq ft have dipped to S$8, leading landlords to offer perks such as four-month rent holidays to woo tenants. There will also be more diversification in the quality, price and location of office space, predicts Richard Ellis, adding that the stock of private quality office space will almost double by 1994. There should be 12m sq ft available by 1995.

This is welcome news to Singapore. In January 1990, it was the 10th most costly city to be located in, in terms of commercial rents, points out Mr Christopher Fossick, a Richard Ellis director.

Halfway through 1990, Singapore had risen to 6th place just behind Tokyo, London's West End, and Hong Kong, making it more expensive than Milan, Toronto and Los Angeles.

There were only three large commercial buildings opened in 1991, with 3.5m sq ft of office space available in 1991. There is also a long list of properties on sale.

The listed property companies mostly met analysts' forecasts of their rental and development income but some lost money on equities trading. To ease their debt burden incurred on acquiring properties, large companies such as City Development, DBS Land and Wing Tai Holdings are expected to make cash calls.

In spite of record tourist numbers to Singapore, retailers once too eager to jump on board the brand name bandwagon are faced with falling sales and increasing operating costs.

They had been banking on the purchasing power of Japanese tourists but, with the removal of commodity taxes on retail goods in Japan, including branded items, Japanese tourists are less keen to buy brand name items overseas, especially with a weaker yen.

Richard Ellis sees another trend emerging: regional shopping centres. As more women join the workforce, household incomes have more than doubled while leisure time has decreased.

Regional shopping centres were established to meet the changing shopping needs of the increasingly cash-rich but busy consumers.

Decentralisation has also spread to other properties. Retail outlets can be found outside Orchard Road at Scotts or Beach Road; residential projects are being built outside the choice locations; offices are relocating in the Alexandra corridor and business parks; even the central bank is overseeing the development of a 30-hectare hi-tech park for the financial sector at Tampines.

The tenants will be those not dealing directly with the public and could include the stock exchange financial regulatory bodies and back-room services of banks.

Singapore wants to be a regional base for large financial houses such as Chemical Bank. "Like the UK and US, these parks allow multi-functions under one roof with operations such as research and development and light manufacturing," says Mr Fossick.

The added allure is a back-up power supply to ensure uninterrupted trading in case of a power failure.

The Japanese are concentrating only on what they consider prime properties. Having invested more than S$1bn of real estate or 22 per cent of total investments in 1989, their share shrank to 17 per cent or S$446m in an overall smaller market in 1990.

Hong Kong-based buyers accounted for S$354.2m or 13 per cent of overall investments in 1989 and S$208m or 4 per cent last year.

Some 200,000 – 300,000 sq ft of property was taken up by companies relocating from Hong Kong in 1990.

They are taking up more space, more in line with what they would have taken up in the colony. There is no sense of panic in the republic as many people believe that rents and capital values will eventually reach reasonable values in the medium-term.

Joyce Quek

■ SIMEX: faces tough choice over financial futures trading

A revolution in the wings

SIMEX, the little financial futures exchange has weathered obstacles and dire predictions of failure to survive six tough years. However, 1991 may prove to be its watershed year.

For the first time since the heady days of exponential growth, the Singapore International Monetary Exchange last year failed to improve on annual volume. For the last time, it will have to choose – to join Globex, a force that may change financial futures trading, or risk being left out of the revolution.

The Chicago Mercantile Exchange (CME) was Simex's partner in pioneering the world's first mutual offset trading system. As the first step to 24-hour trading, it allows a trade opened on one exchange to be closed on the other and be treated as a single transaction. It aids CME to have its products traded in the Asian time zone and elsewhere, and allows Simex to tap into the CME's large liquidity.

All this may change if Simex chooses not to join Globex, the screen-based electronic dealing system co-founded by CME and Reuters which matches futures orders around the world, around the clock. It furthers the CME's aim to deliver its products in the Asian time zone geographically and during the proper time of day and is expected to operate outside the CME's trading hours.

Any money manager or trader with a telephone line can use the system to transact futures contracts in currencies at any time. Globex's 24-hour global reach, with quotes on an estimated 250,000 screens worldwide, and swift execution of trades, may make the CME-Simex mutual-offset moot.

"Once Globex goes into operation, you may not need the mutual offset system," says Mr John Gelderman, CME chairman. If Simex opts to join Globex, CME still has a problem juggling its membership in both systems.

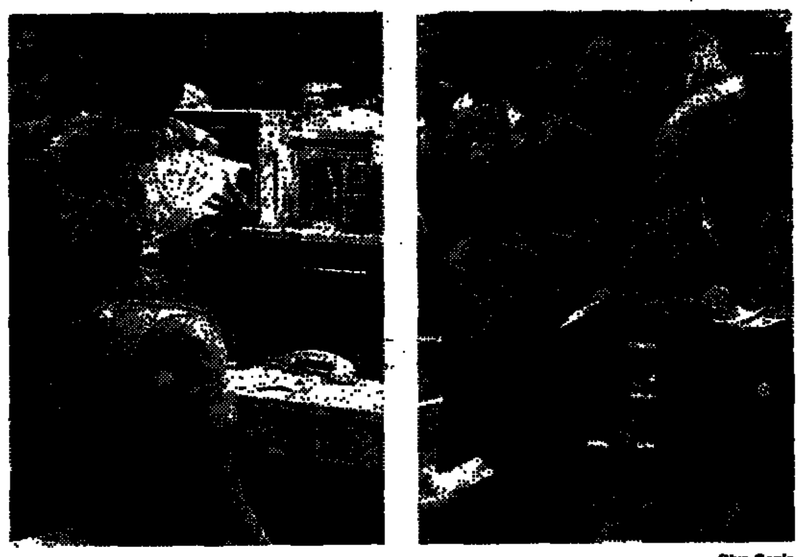
Simex is sanguine about Globex. "With technology, the whole trading system may be different – there could be a mix of automated trading and open outcry [where buyers and sellers trade in person with shouting and hand signals]. I don't think you could launch a new contract with automated trading," says Mr Francis Yeo, its chairman.

Of the four contracts under mutual-offset, the CME says the Eurodollar interest contract has worked well, but not currency futures contracts in yen, D-Marks, and sterling. Mutual offset trades have dropped to 10,000 contracts a day, some 25 per cent of Simex's overall volume, against 35 per cent in earlier years.

Meanwhile, Simex has other worries such as trading volume falling for the first time since futures trading started in 1984. The 5.72m contracts recorded in 1990 was 8.8 per cent lower than 1989's 6.37m contracts, a victim of lower price volatility in the first half-year.

"The falling volume was a global phenomenon," notes Mr Yeo, who points to a 9.1 per cent jump in the first quarter of 1991 of 1.4m contracts against 1.3m in 1990.

The lift in trading was due to extended trading hours from the end of January after the Gulf War bombing began. This move was made to capture the European business, one of Simex's targets, and it appears to have succeeded.



Glyn Genin

Trading floor of the Singapore International Monetary Exchange (Simex)

An extra 30 to 70 minutes of trading between January 28 and March 2 raised trading volume by one-third. The increase came from contracts in Eurodollar and Euroyen interest rates and High Sulphur Fuel Oil (HSFO), which account for some 87 per cent of Simex's volume.

Europe interests Simex because the market still has a lot of scope to be tapped and it will be the cause of more financial products with European demand. The exchange introduced a 3-month interest rate futures Euromark contract, its second in D-Mark, and identical to the one offered by the London International Financial Futures Exchange.

On the plus side for Simex are an increase in its global share in trading volume. "Its Eurodollar dollar futures accounts for 8.8 per cent of the world volume against 2.9 per cent in 1985," says Mr Yeo.

The exchange will introduce contracts to diversify and to compensate for its less popular products. Currency contracts did not become Simex core products because of a very efficient cash market; the moribund gold contract stayed that way as the loco-London market was very efficient and quite entrenched; the Dubai crude contract did not take off due to fear of volatility and because liquidity had not been fully developed, particularly as it was the first cash-settled energy contract in Asia Pacific.

New contracts to augment its successful High Sulphur Fuel Oil contract are most likely in gas oil and Brent crude. In the pipeline are long-term interest rate contracts, 10-year bonds, US Treasury bonds. In the longer-term, an Asean stock market index futures contract.

The local stockmarket index is a non-starter until all outstanding matters have been resolved. The main challenge to Simex will be the application of technology to futures trading which will change trading globally.

Globally, most exchanges are successful in domestic contracts but in Singapore's case, Simex had to take a quantum leap because the domestic market was small.

However, it has the advantage of being an international financial centre, an Asian-dollar base, and the CME link-up.

Joyce Quek

The government is signalling economic optimism; **Peter Montagnon** assesses the mood and looks at trade and industry (below)

The gloom lifts but a sense of fragility remains

THE country's economy is proving considerably more resilient than expected at the start of the year.

With confidence ebbing as hostilities loomed in the Gulf, the general opinion among stockbrokers as recently as January was that Singapore could be heading for a recession as deep and painful as that of 1985.

The government had lowered its sights to a forecast of between 3 and 6 per cent growth in 1991, well down on the 8.3 per cent recorded last year and a sharp break with cracking pace of the late 1980s.

Now, as early indications come in of a buoyant start, the gloom is lifting, although there remains an acute sense of vulnerability to outside factors and worry about the impact of Singapore's pressing labour shortage.

"We haven't revised our forecast, but we are confident that we'll make the top end, probably a little bit more," says Mr Lee Hsien Loong, trade and industry minister.

Singapore could sustain a growth rate of about 6 per cent without overheating, he adds. Productivity is growing at about 4 per cent and it would require an increase of only some 2 per cent in the workforce.

Confirmation that the year

The economy thus remains highly vulnerable to US developments

got off to a better than expected start came in late March with the release of trade figures for January showing a record volume of imports and exports amounting to S$20bn in that month alone.

A particularly strong regional component to this trade suggested that Asian economic confidence had been less affected by the Gulf hostilities than many assumed.

By then, however, the government had also signalled a degree of economic sanguinity with its refusal to be panicked into reflationary action in this year's budget.

Though Mr Richard Hu, finance minister, announced a 15.4 per cent rise to S$15.8bn for government spending in the coming fiscal year, he still allowed for an overall surplus of S$3.5bn (compared with S$5.3bn an expected in 1990-91).

To the chagrin of executives he also announced a 1 percentage point increase in employers' contributions to the mandatory Central Provident Fund, bringing the rate to 17.5 per cent from July this year.

Admittedly the increase was partially offset by an 0.5 point reduction to 22.5 per cent in the rate paid by employees and is in line with long-term plans to stabilise the contributions paid by both sides at 20 per cent of salary.

Yet the readiness to increase employers' costs suggested that the government was not particularly worried about weakness in the local economy.

In fact inflation is, if anything, a greater concern than maintaining economic growth. The consumer price index rose by 4 per cent in the year to February, the highest rate recorded since 1984 and well up on the 3.4 per cent recorded for 1990 as a whole.

"Our key problem is manpower," says Mr Hu. In spite of the addition of a further 60,000 people to a workforce of some 1.3m last year, labour is short and wages are rising inexorably. A real 6.4 per cent increase in 1990, the gain outstripped productivity growth of 3.4 per cent.

As a result unit labour costs grew and Singapore's competitive edge eroded compared with the other newly industrialising economies in the region such as Hong Kong, Taiwan and South Korea.

US direct investment in Singapore *amounted to S$1.1bn* last year

The decline in relative manufacturing competitiveness has not yet reached the extreme which helped spark the 1985 recession, but Mr Hu says the government will be watching the pace of wage increases particularly closely for signs of overheating.

If this does emerge, he believes the most sensible response would be to take more steps to encourage Singaporean companies to shift their low-technology, labour intensive manufacturing activities offshore.

Such a policy is medium term in its impact and most brokers believe the authorities' immediate reaction would be to engineer a classic Singaporean squeeze, involving higher interest rates and a rising currency.

Three month-interbank rates were allowed to rise sharply as the economy surged ahead in the early part of last year. They peaked at 8.1 per cent in May before slipping back to close the year at 4.9 per cent. By late March they were still hovering slightly below this level.

Some brokers believe that a revival of confidence following the coalition victory in the Gulf, might prompt a return to higher money market rates with bank best lending rates, currently averaging 7.69 per cent, rising in tandem. Such a course would, however, require the authorities to exercise careful management, as the economy is still widely seen as vulnerable.

By far the biggest contribution to Singapore's economic growth last year came from the financial and business services sector. Thanks partly to a strong stock market for the first eight months, this grew by 15 per cent compared with 9.5 per cent for manufacturing and more modest growth in tourism, construction and transport.

One pointer towards a further slowdown in growth this year is that the financial sector is unlikely to repeat last year's performance.

Though the stock market has recovered from its summer slump, it is unlikely to see a repeat of last year's record S$3.5bn in new issues in 1991. Bankers say lower stock market volume is also helping keep loan demand at local banks relatively weak.

If that means the financial services sector cannot repeat

Singapore could sustain a growth rate of about 6 per cent without overheating

last year's dazzling growth performance, then manufacturing's main problem is that an "overdependence on the US," according to Mr Kevin Scully, head of Research at Schroder Securities.

US direct investment in Singapore amounted to S$1.1bn last year, or 42 per cent of total inflows.

A special feature in the latest 1990 Economic Survey of Singapore, published by the Ministry of Trade and Industry, shows that the share of direct exports by manufacturing companies going to the US doubled to 41 per cent between 1980 and 1988.

Mr Scully says the dependency is even concentrated in one single product – computer disk drives, Singapore's largest single export item.

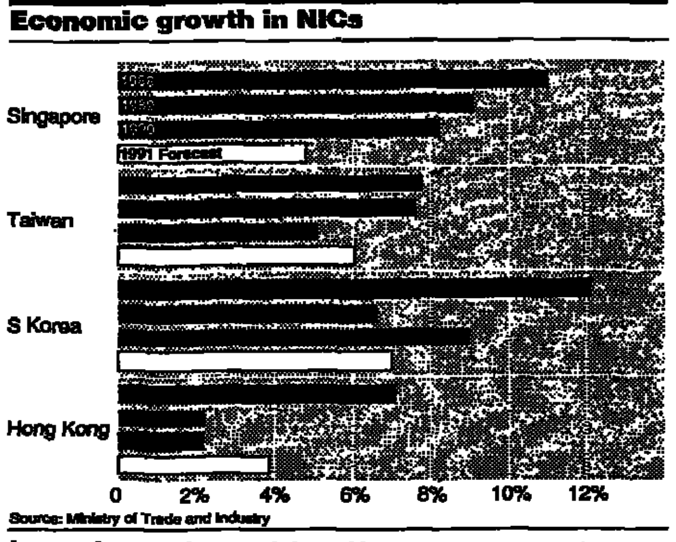
The local economy thus remains highly vulnerable to developments in the US, whose own economic outlook is still murky even though the recession there has turned out milder than many expected.

For all these reasons, no one expects Singapore to return to the high growth days of the late 1980s.

With a bit of luck and good management, Singapore may just manage a soft-landing towards a sustainable growth rate of about 6 per cent, but there is still the prospect of some pretty heavy squalls along the way.

PM

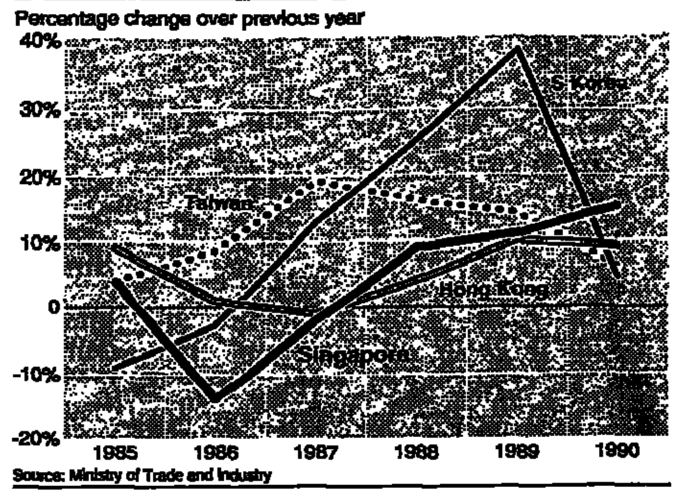
Economic growth in NICs



Source: Ministry of Trade and Industry

Unit labour costs in manufacturing in NICs

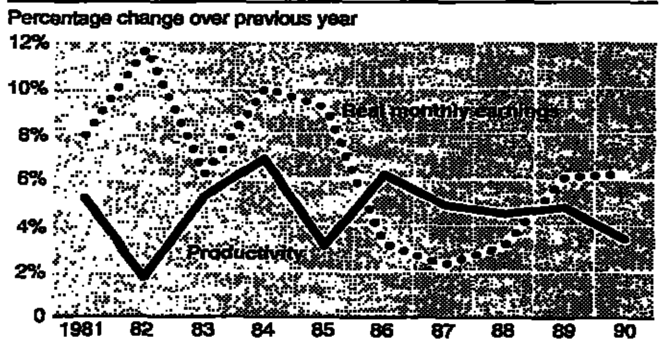
Percentage change over previous year



Source: Ministry of Trade and Industry

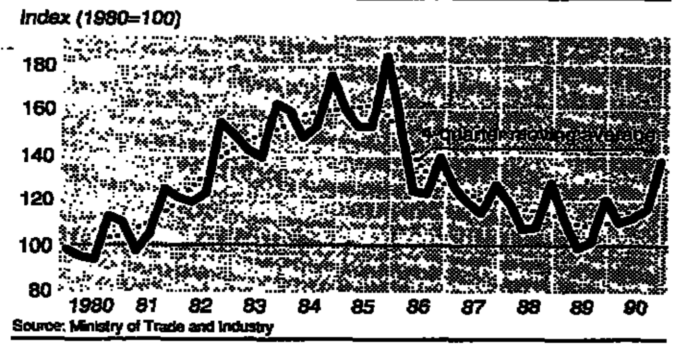
Average earnings and productivity

Percentage change over previous year



Singapore's relative unit labour costs in manufacturing against the other NICs

Index (1980=100)



Source: Ministry of Trade and Industry

Changes in average monthly earnings (%)

	1981	1986	1987	1988	1989	1990
Manufacturing	17.2	1.2	3.4	10.6	11.4	12.4
Construction	14.3	-1.1	-0.3	8.5	12.2	13.3
Commerce	14.4	1.1	3.4	7.4	11.9	11.5
Transport & communications	10.7	1.6	5.8	5.2	8.4	10.3
Financial & business services	16.7	1.1	3.8	7.8	8.8	8.5
Total	14.5	0.8	3.2	8.2	9.8	9.4

Source: Central Provident Fund Board

Changes in productivity by sector (%)

	1981	1986	1987	1988	1989	1990
Manufacturing	9.2	13.6	3.7	2.0	3.8	4.6
Construction	0.5	-4.3	0.8	1.6	0.1	1.4
Commerce	1.3	4.9	6.3	10.9	4.1	3.2
Transport & communications	9.1	10.7	8.3	6.6	4.8	4.7
Financial & business services	4.7	1.4	17.7	6.0	7.4	5.3
Total	5.2	6.3	4.8	4.5	4.8	3.4

Source: Dept of Statistics and Ministry of Labour

INDUSTRIAL DEVELOPMENT

Shortage of labour poses problems for the planners

THE technocrats who run Singapore tend to wince at the merest suggestion that theirs is a planned economy. But they do admit to worrying intensely about the future.

When Singapore became independent in 1965, per capita gross national product was just $600. The government had to become involved in building up industry simply to create jobs in what had hitherto been largely a trading economy.

The government is still heavily involved, when per capita GNP has risen to $12,000, the second highest in Asia after Japan. Singapore's industrial and commercial development is inspired by planners, who manage to exude simultaneously a belief in the magic of the market and in what Mr Richard Hu, finance minister, calls "pointing the economy" in the right direction.

The direction chosen for the 1990's involves a rapid move away from labour intensive manufacturing into high-technology industry. Equally important is the provision of world-class telecommunications, financial and transport services so that the country can remain a beach-head for multinational companies operating in the Asia-Pacific region.

The aim is to respond to what is increasingly seen as Singapore's over-riding problem – a shortage of labour which helped push average monthly earnings up by 9.4 per cent last year. This is a rate which, if sustained, could rapidly erode Singapore's competitive edge.

The government is reluctant to offset the labour shortage by stepping up permits for low-paid foreign workers. Instead its approach has four main strands which dominate its thinking on future economic development. These are:

- The transfer of labour intensive manufacturing abroad, a process which is being encouraged both through tax breaks and the official promotion by Singapore of duty free industrial facilities in the neighbouring Indonesian island of Batam.
- The development of up-market niche industries, for example in bio-technology.
- The development of the service sector to make Singapore even more attractive as a regional headquarters for multinationals. Here the emphasis is not only on infrastructure but also on a secure and professional regulatory environment.
- A push to maximise the use of high-technology in raising productivity and improving the infrastructure. This involves forcing both educational standards and research and development. It is an important ingredient in the marketing of Singapore as a services centre. With more than 13,500 km of optical fibres installed in a country about the size of the Isle of Wight, Singapore is one of the most densely wired cities in the world.

Western leaders, used to trotting out an endless litany of apologies for the level of unemployment in their countries, would probably give their back teeth for Singapore's problems.

Yet, the labour shortage is a real constraint. Success in dealing with it while preserving real growth in living standards is by no means assured.

On paper the proposed tripartite collaboration known as the "golden triangle" makes a lot of sense. It is designed to spread labour-intensive manufacturing into the bordering Malaysian state of Johor and Indonesia's Batam Island while still permitting the use of Singaporean infrastructure in the form of its port and telecommunications.

However, wages are already rising in Johor and, apart from a rudimentary road system, Batam has almost no infrastructure of its own.

Sumitomo Electric Industries is producing wire harnesses for Toyota cars there, and Thomson Consumer Electronics is making parts for television sets and video recorders, but by Singapore standards they are very low-tech operations.

It remains to be seen when and whether Batamindo, the Singapore/Indonesian venture promoting the main industrial park on the island will reach the critical mass needed to tempt a broad range of multinational investors and make a real dent in Singapore's labour shortage.

Even though the manufacturing sector accounts for barely a quarter of Singapore's annual economic growth (compared with a share of 40 per cent for financial and business services) Singaporean officials say the economy needs a domestic manufacturing base.

Yet domestic manufacturing remains heavily biased towards electronics. Though growing rapidly, the newer products such as pharmaceuticals which Singapore is now pushing, still constitute only a tiny part of industrial output.

Moreover, Singapore is heavily dependent on overseas capital.

Foreign inflows accounted for 89 per cent of last year's total of S$2.5bn manufacturing investment last year, and of that, the US accounted for S$1.1bn.

There is a growing awareness that Singapore needs to offset this dependency by persuading its own indigenous companies to develop closer economic ties within the region.

With its current account balance of payments surplus, Singapore can readily afford to become a sizeable foreign investor in its own right, but with much of its surplus cash effectively controlled by the government, there are formidable obstacles in the way.

Not only does Singapore have to tread carefully to avoid offending its less affluent neighbours. The direct and indirect involvement of the government in much of domestic industry makes expansion abroad harder.

Ideally the government should now stand back and let business get on with it. Senior ministers and officials say it intends to do so increasingly, but this will be a delicate task as, taken to its logical conclusion, it would involve a considerable dilution of power in Singapore's fundamentally authoritarian society.

The methodical way in which the government has programmed and regulated the economy has discouraged local entrepreneurs and made for a business community that appears strangely risk averse. Unlike Hong Kong, Singapore cannot boast the buccaneering spirit of a Shanghainese émigré community. Its home-grown tycoons are few and far between.

The strongest enterprise culture resides in the foreign multinationals and, paradoxically, in the government, and that is not necessarily about to change.

"If you want to set up a $2 company and turn a fast buck, you proably want to set up in Hong Kong rather than here," says Mr Lee Hsien Loong, trade and industry minister.

Government companies, he adds, "give their competitors quite a run for their money." The country's future success will depend in no small measure on the ability of its civil servants and planners to continue their astonishing record for picking and promoting winners.

PM

TRADE

Heavy dependence on export markets

SINGAPORE'S exports rose 9.3 per cent last year to S$95.2bn. At this level they were nearly half as much again as gross national product, underlining the country's heavy dependence on its foreign trade.

Just under half this total constituted non-oil domestic exports which rose by 8.5 per cent compared with 10 per cent in 1989.

Consumer electronics sales grew more slowly, partly due to the relocation of production to cheaper centres in the region, but sales of computer disk drives rose by 31 per cent to S$7.2bn.

Domestic exports of oil grew 30 per cent to S$17.1bn as a result of rising prices and increased volumes passing through local refineries following the onset of the Gulf crisis.

Re-exports of traditional commodities including rubber, copper and plywood fell sharply although there was an increase in re-exports of non-traditional goods such as colour television sets and integrated circuits which suggests that Singapore remains a trade conduit for production relocated elsewhere in the region.

Main export markets last year were the US, European Community, Malaysia and Japan with the US taking the largest share at S$20.2bn.

Officials at Singapore's Trade Development Board say the country's heavy dependence on exports means it attaches considerable importance to the successful completion of the Uruguay Round of multilateral trade negotiations.

According to Mr David Chin, TDB Director, Singapore's concerns are threefold. It wants to improve access for its products on foreign markets, foster liberalisation of service industries which now account for three-quarters of its economic growth, and strengthen the rules of the system which provides opportunities for foreigners to harass Singapore industry with the launch of trade-diverting anti-dumping and countervailing duty actions.

In spite of the record exports, Singapore's overall trade deficit still rose S$4.9bn to S$14.6bn in 1990. A strong performance on the invisibles account left the current account balance of payments in surplus by S$4.3bn (compared with S$5.0bn in 1989).

Published foreign exchange reserves, generally thought to be an understatement of the government's true holdings, rose by S$9.9bn to S$48.5bn.

PM

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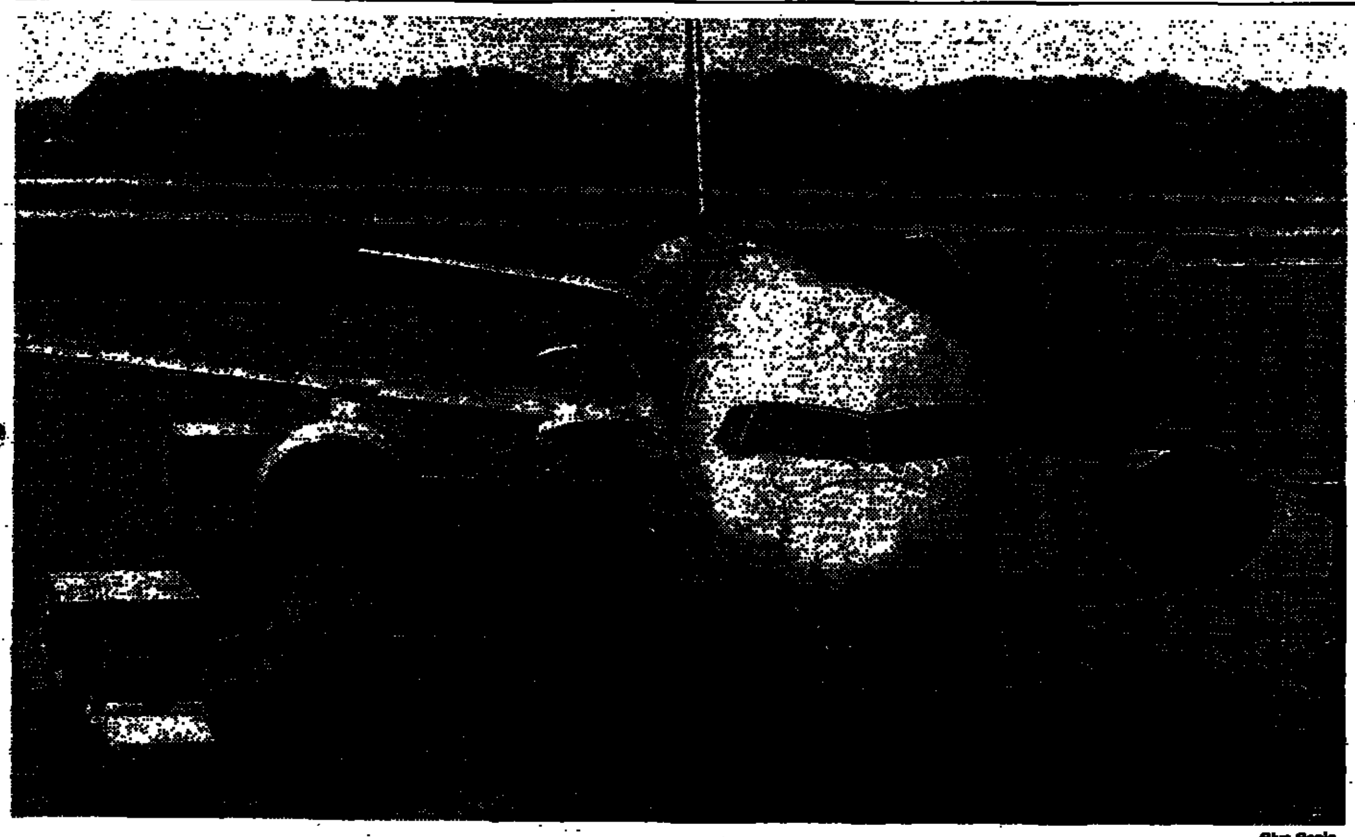


Glyn Genin

Singapore Airline Boeing 757 (above) at Changi International. The T1 terminal (right) is being upgraded to match the new T2

■ AEROSPACE: mixed forecasts for 1991

Civil work increases thrust

MORE than 50 of the world's leading aerospace groups can be found in Singapore.

Companies such as France's Aerospatiale are competing alongside GE Aviation Services, Sunstrand, and United Technologies for a piece of the Asia-Pacific action, a market expected to provide the most business in the next 20 years. The industry in Singapore is projected to hit the S$2bn mark by *1995* after expanding 20 per cent to S$1.2bn last year. However, there are mixed forecasts for 1991.

The Economic Development Board, which garners investments for Singapore, attributed the 1990 performance (which does not include military production) of the aerospace industry to the continued strong performance in commercial and civilian production, and to support services. However, it added that competition from aerospace industries in the region, such as Aerospatiale's planned regional aircraft-servicing centre in *Thailand*, is expected to slow growth this year.

Defence-related work, mostly air force, will still be important

Aerospatiale's policy to increase co-operation wherever local authorities agree has led to, or the consideration of, ventures in Singapore, Malaysia, and north-east Asia. The European consortium sees opportunities in the Asia-Pacific region from the expected continuation of the strong Asean economic growth, and the smaller decreases in Asian military spending in contrast to the West. Its focus, following industry trends, will be more towards civilian work.

The French-based Airbus Industrie forecasts that in the next 20 years, there will be a demand for more than 10,000 aircraft. It says it will get a minimum 30 per cent market share; and that Asia-Pacific airlines will become the main customers, placing orders for 6 out of every 10 planes as greater traffic flows into the region help it to register the high growth rates. Airbus should know — its new orders are entirely from Asia from clients such as Cathay Pacific and Malaysian Airlines.

It adds that, for the first time in history, Asia-Pacific airlines, not European or US carriers, will have enough clout to become the main thrust for a completely new commercial aircraft type, more likely to be wide-bodied and capable of carrying 600-800 passengers for long hauls.

Such forecasts could not have come at a better time for Singapore, which aspires to become a leading component centre for multinationals, a *service support centre for* American and European aerospace and aircraft-related companies and a leading manufacturing and business centre for aviation-related activities.

Less than 15 companies are certified by the Federal Aviation Authority to carry out third party Section 41 modifications. Two are from Singapore Airlines and Singapore Aerospace (SAe). Such work, one of the fastest-growing activities as more stringent safety requirements are set, is on the area from a jet's nose to the *edge of the tubular section.*

SAe has a competitive advantage over most rivals with its quality work (90 per cent of its 2,000 staff are skilled) and fast turnaround time of 31 days to carry out Section 41 repairs against Hong Kong-based Haeco's 36 days. The lack of hangars large enough to accommodate 747s prevents SAe accepting more orders. This is a problem that will be resolved by next year when a double bay hangar is completed. Turnover has risen 17 per cent above its projected S$200m for *last* year, lifting operating profit 33 per cent higher than 1989 to S$18.6m.

SAe agrees with an ICAO forecast that passenger traffic and cargo will rise in the Asia-Pacific region to outstrip Europe.

Singapore is too small a country to design, manufacture and sell its own aircraft but it does development work on prototypes. Using its skills honed over the past 15 years, it has a 16 per cent stake in a S$305m tripartite venture to build and market a light five-seater helicopter for the Asia-Pacific region called the P120L.

Its partners are Aerospatiale (54 per cent) and the China National Aero-Technology Import & Export Corporation (Catic), with 30 per cent. New composite materials will be used for the body of the plane, seen as a successor to the Gazelle and Lama and complementing the Ecureuil.

The P120L prototype will be ready in 1996, with 1,500 to 1,800 units being produced over 10 years. SAe is involved in the conceptual phase, the making *of the prototype, producing* certain parts, and marketing, while production will be carried out in China, which is expected to be one of the biggest markets with a shopping list for 260 helicopters.

Its focus, following industry trends, is towards civilian work

SAe has long had a joint venture with Aerospatiale in Samaero, which is responsible *for its helicopters flying* in Asia.

The company will continue its thrust into the commercial wide-bodied aircraft maintenance market with its new facility in Alabama, US, and joint ventures in the UK and Ireland.

Defence-related work, mostly from its mainstay, the republic's air force, will still be important, but SAe's increasing commercial activities (comprising 30 per cent of the business) is expected to fuel growth. Its customers include the US forces, Kuwait Airways and the Nigerian Air Force.

Sembawang, another state-controlled company, is looking at aviation as the next core business to diversify from its main shipbuilding and repairing business so as not to have its earnings cycle dictated by the *fortunes* of primarily *one* industry.

Sembawang is in a joint venture with Catic, using its marketing and sales capability to sell Chinese aircraft in the Asia-Pacific. Catic produces a competitive aircraft — the Y12, which was certified by the British Civil Aviation Authority. Sembawang's other aviation joint ventures are in Sembawang Hainan Airline Tour and Aviation Services, and Harbin Aircraft Manufacturing.

Joyce Quek

AIRTROPOLIS

Airport lounge with designs on the future

IS Airtropolis an ambitious name for an airport? The much-lauded Singapore Changi International airport, which has become a tourist spot, calls for something special.

Changi International has been named the world's best airport so many times that, in the month before the second terminal or T2 started operations last November, more than 100,000 people paid to tour the S$850m wonder.

"The word Airtropolis, with a futuristic feel, is one that connotes a very special and exciting place where things happen," explained Mr Lim Hock San, director-general of the Civil Aviation Authority of Singapore.

The two terminals offer the traveller so many services and facilities that a mini-city has emerged.

It is design, innovation, and state-of-the-art technology providing speed, efficiency and service to cater to the traveller's every need.

Its aim is to allow passengers to clear immigration, collect their baggage and pass through customs in 20 minutes.

Those in transit can use the Changi Skytrain, the first high speed automated passenger transit system outside the US, which connects the two terminals and offers 100 shops, 75 dayrooms, 20 restaurants, business centre, and medical centre.

T2 has improved on its predecessor's attractions — from fitness centre, the first in an Asia-Pacific airport, to a multi-purpose hall, valet parking and air-conditioned taxi stand.

The secret of Airtropolis is that it was designed with the family in mind. Bored youngsters can use the playroom or Science Discovery Corner while mothers relax at the beauty salon and fathers at the lounge.

Business executives can hold conferences or even meet local clients without leaving the terminal.

The main complaint about T2 is its size — it is too large, necessitating some walking. However, more space was incorporated into its design. Although it handles the same number of passengers, T2 has 30 per cent more space, some luggage retrieval belts are longer to accommodate baggage from future larger aircraft — *its* gatehold rooms hold 500, not 300 passengers.

The ambience exudes the feeling of space with high ceilings terraced to filter daylight, and glass abounding where possible. Light, warm colours, omnipresent tropical plants and waterfalls banish the sterile, cold look of many airports.

T1 was designed to comfortably cope with 10m passengers with Asia-Pacific's largest passenger handling capacity. It is host to 52 airlines flying to 111 cities in 53 countries.

In 1990 there was a 10.5 per cent growth in passengers to 15.6m. passenger handling capacity increased to 24m with the opening of T2, to 36m with T3 by the turn of the century and to 50m with T4.

Changi is not resting on its laurels. T1 will undergo a S$121m upgrading to match T2 and cope with a forecast 20m passengers in 1995.

JQ

Water fun: the lagoon at the Sentosa island theme park (above, right) which widens the tourist options

Glyn Genin

■ TOURISM: in a good position to play the role of an usher

An alliance of regional rivals

SINGAPORE is facing the challenges posed by some of its neighbours in the tourism industry in an unusual way.

It has developed a two-pronged response to the challenge of regional and global tourism. It aims to consolidate and further strengthen its own tourism product while playing its part to market the broader attractions of its Asean neighbours. The authorities believe this to be in the interests of the region.

The Singapore Tourist Promotion Board's (STPB) stance is that the true tourism competition comes not from its neighbours but from other regions of the world, particularly well-established tourist destinations such as the Caribbean or the Mediterranean.

Singapore continues to develop its own tourism infrastructure and attractions

The mood of Asean being currently co-operative, the answer comes as no surprise. The concept of marketing the region as an alternative to the Caribbean or the Mediterranean has merit.

The appeal of Asean as a region is much greater than any single country. And yet, diversity is available in a compact geographical area where tourism infrastructure and ease of air access have improved immensely over the past five years.

So the city-state does not apply the traditional definition of competition to its neighbours. Instead, co-operation in developing the region's tourism potential is at the core of the STPB's tourism strategy – part of its marketing effort is to assist visitors to Singapore to explore the attractions of neighbours Malaysia and Indonesia to further vary their experiences.

Together with its Asean neighbours, the republic is promoting the region's multifarious attractions through several Visit Asean Year 1992 campaigns.

Economic co-operation is evident in the Growth Triangle where multinationals in Singapore unwilling to upgrade and automate in the light of higher wages are steered to Johor, Malaysia, and the Rian islands of Indonesia, which have lower land and labour costs.

Tourism indicators 1984-90

	Arrivals		Room inventory	
		% change		% change
1984	2,991,430	4.8	16,440	13.6
1985	3,030,970	1.3	19,018	15.7
1986	3,191,058	5.3	22,080	16.1
1987	3,678,809	15.3	23,431	6.1
1988	4,186,091	13.8	24,669	5.3
1989	4,829,950	15.4	22,457	-9.0
1990	5,310,992	10.0	23,807	6.0

Source: Singapore Tourist Promotion Board

Singapore benefits by offering its marketing, management and financial expertise. The idea of multilateral co-operation was mooted on the basis that Singapore prospers with, rather than at the expense of, its neighbours.

The republic is in an excellent position to play usher. Last year, visitors to Malaysia doubled from 3.7m in 1989 to 7m arrivals, of which 65 per cent came through Singapore.

The republic enjoyed a 20 per cent increase in earnings in 1990 to S$7.6bn or 6 per cent of its gross domestic product.

Though he disagrees with the Caribbean comparison, Johor's chief minister, Mr Tan Sri Muhyiddin expects more tourism for the Growth Triangle. He is assuming the opening up of a market in cash-rich vistors from Japan, Taiwan and South Korea on the back of their strong economies. Based on this assumption, the triangle partners are forecasting 22.5m visitors yielding some $22bn in 1992.

The Asean Tourism Information Centre's preliminary 1990 report on the industry concluded that the region will continue to be its own best tourism market as the importance of intra-Asean travel grows and the regional economies strengthen.

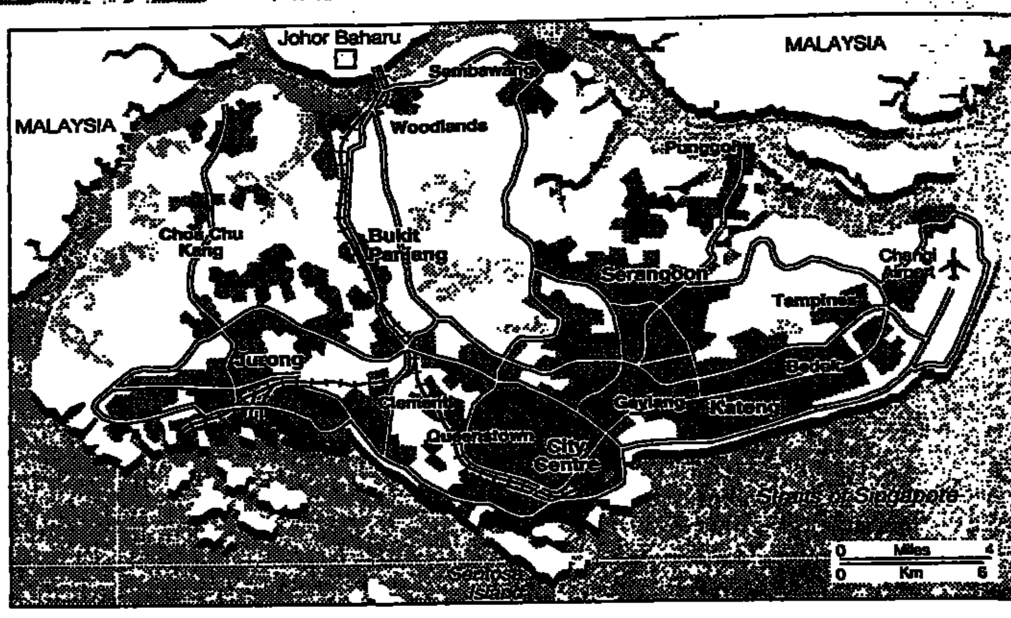
In 1989, the five Asean countries, excluding Brunei, earned $10.2bn in tourism with 36.8 per cent of the 16.4m arrivals being intra-Asean travel. Asean nations experienced 15-30 per cent growth in arrivals in 1990, which recorded more than 17m visitors.

Singapore was not spared the sharp worldwide drop in tourist arrivals during the Gulf War.

Hotel occupancy rates sank as low as 30 per cent before recovering back to the 70 per cent levels. Special discounts are being offered for the next few months to attract local and foreign custom.

Even the finance minister, during his budget speech in March, gave some help to the hotels, restaurants and tourist-related shops adversely affected by the Gulf War's secondary effects. He reduced the tourism excess rate from 4 to 3 per cent for a year to tide them over their difficulties. The STPB expects the industry to pick up soon while others forecast recovery around the year-end.

Meanwhile, Singapore continues to invest in developing its own tourism infrastructure and attractions. The $578m tourism development plan nearing fruition sees a new generation of tourism attractions coming onstream.



The heritage attractions include some of the island's oldest buildings restored to their former glory, such as Raffles Hotel of Somerset Maugham fame and Alkaff Mansion, a grand getaway house on a hill formerly owned by a pioneer.

The conservation efforts, which also include Chinatown and Tanjong Pagar, have played a prominent role as part of urban redevelopment plan in the late 1980s and 1990, the tourism industry having been instrumental in preserving important parts of Singapore's heritage.

Marketing the region as an alternative to the Caribbean has merit

New theme parks such as Haw Par Villa's combination of high-tech heaven and Chinese-style hell, and the Underwater World at Sentosa, widen fun options.

At the infrastructural level, new resort hotels on Sentosa island diversify the range of accommodations available in the Lion City. The completion of the Singapore International Convention and Exhibition Centre at Suntec City, a project sponsored by the Who's Who of Hong Kong's business moguls, adds to the industry's capabilities and underscore Singapore's position as Asia's leading convention city.

Joyce Quek

KEY FACTS

Area .... 626 sq km
Population .... 2.71m (1990 estimate)
Head of State .... President Wee Kim Wee
Currency .... Singapore Dollar (S$)
Average Exchange Rate .... 1989 $1=S$1.95
.... 1990 $1=S$1.81

ECONOMY

	1989	1990
Total GDP ($bn)	28.8	34.6
Real GDP growth (%)	9.2	8.3
GNP per capita ($)	10,752	12,765
Components of GDP (%)		
Private Consumption	46.6	44.4
Total Investment	34.4	38.6
Government Consumption	10.8	10.6
Net Exports	8.9	5.9
Consumer prices % change pa.	2.4	3.4
Retail sales vol % change pa	11.3	1.7
Ind. production % change pa	10.1	9.5
Unemployment % of lab force	2.2	1.7
Reserves minus gold ($bn)	20.3	28.4
Money growth (M1 % pa)	14.9	10.8
Minimum Lending Rate (% pa)	6.2	7.7
Tourist arrivals (000's)	4,830	4,376
Public external debt ($m)	71.1	38.3
Debt service ratio (%)	0.7	0.2
Current Account Balance ($bn)	2.5	2.3
Exports ($bn)	44.7	52.6
Imports ($bn)	49.7	60.5
Trade Balance ($bn)	-5.0	-7.9
Main trading partners		
Exports (% by value)		
US	23.3	22.0
Malaysia	13.7	13.5
Japan	8.5	9.0
Imports		
Japan	21.4	20.2
US	17.1	16.0
Malaysia	13.2	13.6

Source: IMF, Economist Intelligence Unit, National Government sources

■ COMMUNICATIONS: doubts about controls

Services open up an undesirable world

NOTHING has struck home as vividly to some people in Singapore as the often-told tale of traders who sold US dollars immediately after watching on Cable News Network the faces of Mr James Baker, US Secretary of State and Mr Tariq Aziz, Iraq's then foreign minister, after failure to resolve the Gulf crisis. Singapore bankers and businessmen, on the other hand, bought US dollars and were left "holding the baby", as one observer put it.

The difference in reactions was that the sellers could see and size up instantly what was happening based on real time information.

'You need good communication links to compete worldwide'

The difference from hearing of the event minutes later on the radio could mean millions of dollars lost.

This fact was noted by those promoting Singapore as a leading foreign exchange and financial futures centre, one whose traders require up-to-date news.

The fast pace of technology is forcing Asian governments to re-think their control over what is seen by their populace. Most are wary of the unsettling effect of undesirable western influences portrayed on entertainment programmes and films.

However, control is becoming increasingly moot when technology can make receivers small enough to fit into a suitcase.

In deciding to open up to more instant and global communications, Singapore acknowledges that rapid advances in broadcast technology will force the examination of its policies on trans-boundary broadcasting and cable television.

The republic boasts many world firsts in introducing the latest in telecommunications but has lagged in the areas of privately-installed satellite dishes, cable and global television. By contrast, satellite dishes are operating in Hong Kong, Indonesia, South Korea and the Philippines.

The acting minister for information and the arts (Mita) Mr George Yeo said: "One day it may not be possible for the government to regulate but, for as long as it is possible . . . let's have some controls in place."

The trade-off was that, for the controls to work, there had to be more choices for the public. Hence, the scheme to introduce two or three more ultra high frequency television channels within a year, later moving on to microwave and cable.

Many will be pay channels charged on a subscription basis to meet the needs of specific segments of the community. An arrangement may be negotiated with the BBC's World Service TV.

Mita's reckoning of 10 to 15 years before regulations against household satellite dishes become impractical is too long, argued outspoken government MP, Mr Lim Boon Heng.

He believes that global television must come soon because "if we aim to be a global city. Is it to be soon or in 10 to 15 years' time?"

In response to repeated lobbying by the financial community for access to CNN and other foreign news stations, the government will be issuing temporary licences of S$1,000 to financial institutions and government bodies to operate satellite television receive-only dishes to get live news broadcasts.

The republic boasts many world firsts in telecommunications

All institutions, except hotels and households, can now apply for annual satellite dish licences from May 1. However, the strait-laced thinking persists in the barring of households in case "one day, someone were to put up a pornographic channel and all Singaporeans are able to receive it. Is it good or not good for us?" Mr Yeo explained.

However, it is not good enough to just get on-line real time market-sensitive information, there has to be an accompanying liberalisation of censorship of news and entertainment programmes.

The long awaited film classification system begins on July 1 with a restricted category barring viewers under 18 years old and X-rated films that are banned. Censorship rules for publications and performances will be reviewed.

Mr Goh Chok Tong, prime minister, set up Mita to help inform, educate and entertain as part of Singapore's goal; to make the republic a hub city of the world; and to build an economically dynamic, socially-cohesive, and culturally-vibrant society.

Most are wary of the effects of undesirable western influences

He wants to pay more attention to public and media relations to better explain public policies at home and abroad. This and the relaxation of censorship acknowledges the growing sophistication of a people who travelled widely and often enough to know what the West offers.

As for the communications infrastructure, the business-like nation has strived to make it easy for multinationals to do business in Singapore.

"We have no natural resources. To make a living, we have to find a market for our goods and services. They have to be of quality and at competitive prices. To do that, we need a good communications infrastructure. Whether you are a manufacturer, trader or forex dealer, you need good communication links to compete worldwide," said Mr Tan Guong Ching, permanent secretary at the communications ministry.

Singapore has invested heavily in its communications infrastructure and stressed excellent service. To maintain its advances in communications, it is building a third air terminal, reclaiming land for a fourth terminal and third runway; building a new container port at Pulau Brani; and participating in an Asean all-optical fibre cable network.

Singapore was the first to offer nationwide Integrated Services Digital Network (ISDN) where a Group 4 fax machines sends messages five times faster at costs lowered by as much as 80 per cent. Telephone rates are constantly being lowered, by as much as 40 per cent to some countries; Singapore has the highest ratio of IDD calls, the most advanced photo-videotex service, the largest number of pagers and cellular phones per capita.

When floated next year, Singapore Telecom will be the largest local company, with a market capitalisation of S$10bn. It grew to become highly profitable by offering the latest innovations, competitive rates, and good services. Like Singapore Airlines, it has learnt that instead of shutting out the world, it can offer its services anywhere, and be a world beater.

Joyce Quek

The Mass Rapid Transit railway

Glyn Genin

FINANCIAL TIMES
COMPANIES & MARKETS
Tuesday April 30 1991

INSIDE

PepsiCo beats off a snack attack

A strong performance from PepsiCo, the world's second biggest soft drinks company. The group yesterday announced a 13 per cent improvement in first quarter net earnings. The rise was largely due to growth in the soft drinks and restaurants businesses, offsetting lower results from PepsiCo's snack foods operations. Karen Zagor reports. Page 24

Timberrrrrrrrr!

Few American business sectors – other than property – have been battered harder than the forestry industry over the past year. The time is now ripe for a major shake-up and it appears likely that a spate of acquisitions, mergers, financial restructurings, mill closures and product-mix adjustments is on the cards. Bernard Simon reports. Page 23

Bundaberg hits at Tate bid

Bundaberg Sugar, Australia's third-largest raw sugar producer, yesterday fired another volley in the battle to fend off Tate & Lyle's hostile takeover bid. Directors of the Australian group said the UK company's offer was pitched at least 44 Australian cents a share too low, following a valuation by Macquarie Bank. Page 28

Looking for signs of life

Lafarge Coppée, the largest cement and construction materials group in France, is looking for signs of economic recovery in its main North American and European markets. Despite occasional bright spots of profitability – such as Spain – Lafarge also has to cope with difficulties in the plasterboard and biotechnology industries. George Graham reports. Page 22

Things hot up in the drought

Temperatures have been rising in the drought-hit farmlands of England's south-east ever since the National Rivers Authority warned farmers that it might restrict irrigation to daylight hours in some cases and ban it altogether in others. Page 32

Tight times for suits

It's been tough on the High Street for menswear shops as 1,500 outlets closed in the UK last year. Moss Bros Group, the menswear retailer and hirer, saw its pre-tax profit tumble by 41.5 per cent, largely as a result of a fall in interest income and property profits. Turnover, however, advanced 7 per cent and its share of the British suit market rose to 5.5 per cent. Jane Fuller looks at the reasons behind the group's fall. Page 27

Market Statistics

Companies in this section

Chief price changes yesterday

FRANKFURT (DM)

Rises			
Henkel Pf.	581	+	6
Karstadt	643	+	7
PWA	270	+	11
Falls			
DLW	607	–	22
Douglas Hldg.	789	–	13
Industriekredit	255	–	9

NEW YORK ($)

Rises			
Playboy Ent.	6¼	+	1
Universal	31⅜	+	¾
Vista Chem.	52½	+	2⅞
Falls			
A & P	47	–	2¾
Outbd Marine	14¾	–	⅝
Pepsico	31	–	1⅛

PARIS (FFr)

Rises			
Accor	788	+	11
Cetelem	655	+	12
L'Oreal	562	+	12
Printemps	673	+	27
Falls			
Cogefi	370	–	10
Geophysique	680	–	30

Tokyo closed. New York prices at 12.30.

LONDON (Pence)

Rises			
Airtours	445	+	10
Blenheim	803	+	28
Bristol Eve P	310	+	15
CIA	141	+	16
Etam	175	+	15
Flexello	100	+	6
Gen Accident	529	+	10
Hardy Oil	198	+	8
News Intl	161	+	7
Pilkington	194	+	8
Reuters	831	+	23
Trafalgar Hse	264	+	10
[illegible]	22½	+	3
Watson Philip	310	+	25
Wensum	64	+	4
Falls			
B'sons Crisps	123	–	8
Dactus	35	–	3
Heath (CE)	512	–	10
Smurfit (Jefsn)	533	–	20
Westbury	168	–	7

French store's stake triggers bid

By George Graham in Paris

THE COMPLEX interlocking family and shareholding structures of France's department store sector appear to be on the point of being unravelled, opening the prospect of a FFr5.4bn ($900m) bid for the Nouvelles Galeries group.

Galeries Lafayette, owner of the elegant Boulevard Haussmann department store, appears likely to be forced to bid for Nouvelles Galeries after buying 16.4 per cent of its capital last week from Proventus, the Swedish retailing group.

The acquisition takes Galeries Lafayette's overall stake to 39 per cent, past the 33.3 per cent level at which a full bid must normally be triggered under French law, but the company had hoped to be exempted from the obligation on the grounds that control of Nouvelles Galeries remains in the hands of the Devanlay textile group headed by Mr Léon Cligman, which has 47.5 per cent of the voting rights.

But the French stock exchange council has ordered it to bid, making an offer for Nouvelles Galeries of FFr950 a share, the price Galeries Lafayette paid Proventus, seem inevitable unless it can appeal successfully against the ruling.

The irony is that if Galeries Lafayette had wanted to take control of Nouvelles Galeries, it could have bought the whole of Proventus's 25.7 per cent stake. Instead, in order to keep its holding below that held by the Cligman group, it insisted on taking only 16.4 per cent.

Despite these peaceable intentions, however, Galeries Lafayette appears to have provoked Mr Cligman's irritation, raising the possibility of a stock market battle over Nouvelles Galeries.

The origins of this upheaval go back to the acquisition two and a half years ago of stakes in Galeries Lafayette, Nouvelles Galeries and Bazar de l'Hotel de Ville (BHV) by Sir Ron Brierley, the New Zealand investor.

Sir Ron sold his shares in Galeries Lafayette last August to Axa, the insurance company, and then sold his BHV and Nouvelles Galeries shares to Proventus.

This week's developments, however, provide belated recognition for his analysis that the sector was ripe for restructuring.

Proventus, which had obtained French government permission to take its stake up to 33 per cent, appeared bent on provoking this restructuring but withdrew.

This could now prove crucial, for stockbrokers believe that whoever ends in control of Nouvelles Galeries, the takeover bid may be financed by selling Nouvelles Galeries's BHV stake, only recently taken above 50 per cent.

Marks and Spencer adopts a harsh diet

John Thornhill and Diane Summers look at reasons for the UK retailer's cutbacks

JUST one month into his tenure at the helm of Marks and Spencer, Mr Rick Greenbury has made it abundantly clear that a new regime reigns at Britain's best-known retailer.

Although the review of head office staff was begun six months ago under Mr David Sieff, the director of corporate affairs, few analysts in the City of London were in much doubt yesterday about who was the driving force behind the changes.

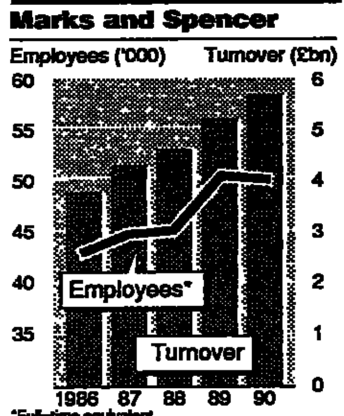
"What we are seeing is the transition from a safe, jobs-for-life type organisation into a meritocracy," said Mr Mark Husson, retail analyst at Warburg Securities. "A lot of dead wood is now to be thrown overboard. Mr Greenbury is a very hard and very commercial man who is quite prepared to take the tough decisions."

Marks and Spencer presented the decision to shed 850 jobs as just an exercise in good housekeeping; but there is little doubt that its hand has to some extent been forced by the severity of the recession sweeping the UK's high streets. "We are determined to keep a strong hold on our cost base," a spokesman for M and S said yesterday.

In the early days of the recession, M and S appeared to be weathering the storm well and a quiet optimism suffused the company at a time when all around were screaming. Customers remained loyal to the company and, if anything, seemed to be attracted to M and S's reputation for dependable products and conservative styles – virtues criticised as dull in the previous decade.

The company also benefited

Marks and Spencer



*Full-time equivalent

from its financial prudence during the 1980s. It had retained the freeholds on most of its properties rather than indulge in the fashionable sale-and-leasebacks which enabled other companies to fund their great expansion drives.

A big investment in information technology – estimated at £300m ($507m) during the last three and a half years – has also enabled the company to increase its productivity levels and trim its cost structure.

Its total payroll costs as a percentage of sales – at 9.9 per cent – is second only to Argos in the retailing sector and way ahead of such competitors as Burton at 14.3 per cent and Boots at 15.1 per cent.

But despite these undoubted strengths, the company cannot expect to combat the general industrial trends indefinitely. As Mrs Joan D'Olier, retailing analyst at County NatWest, says: "Although M and S is well-placed *to cope with the recession, that* does not mean that it is immune from it."

Analysts' forecasts reflect that view. Since the beginning of the year, they have been trimming profits expectations. County NatWest, for example, has pencilled in £620m for the company's pre-tax profits – to be announced on May 14 – representing only a modest advance on last year's £604.2m.

Uncertainty about the economic climate has also had an effect on the company's staff. They are are not so keen to take a chance by leaving to join other less solid companies.

A spokesman for M and S said yesterday: "We have had exceptionally low turnover in junior management over the last 18 months which has led to overstaffing and meant that we cannot progress these people through to a meaningful management position."

This low turnover had already forced the company to postpone the entry of 100 of the 150 graduate trainees it was due to take on this September.

It is not yet clear what other areas may be affected by the reappraisal of M and S's business structure. But one possibility is a review of staff benefits.

Ever since the establishment of the company's welfare department in 1934, for example, M and S has set the gold standard in occupational healthcare.

The seventh floor of the Baker Street head office houses a gym, a dentist, doctors, nurses, an osteopath, physiotherapists and health administrators.

Breast and cervical screening are available to female staff and

Marks and Spencer: determined to keep control of costs

also to wives of male employees. Even ex-employees may, some years after they have ceased to work for the company, be entitled to follow-up healthcare.

Exhibitions, videos and health literature form part of the extensive preventative programme: a video and leaflet, for example, on testicular self-examination were designed to make sure male employees did not feel excluded.

Most of this provision is an act of faith. When asked why the company spends so lavishly on the health of its employees, managers reply that it "feels right" to do so.

There is no doubt that occupational healthcare of such a high standard cuts down on absenteeism and increases productivity. But there is unlikely to be much hard financial evidence of this within the organisation, due to the long-term nature of the provision. At least some pruning of healthcare would, therefore, not be unexpected.

The same could be the case for other staff benefits, where a trend away from paternalism is already in evidence: hairdressing and chiropody, for example, are less popular perks than they once were, particularly among younger staff.

"To a certain extent, M and S has always been carrying a lot of fat and it is the first time that it has gone on a diet," says Mr Husson of Warburg Securities. The new dietary regime may be overdue; but under Mr Greenbury's direction, it seems likely to prove a rigorous one.

IBM warns on outlook for world computer business

By Martin Dickson in New York

INTERNATIONAL Business Machines, which earlier this month reported a 50 per cent drop in first-quarter earnings, said yesterday that it had not yet seen any sign of a market improvement.

The downbeat assessment of global business conditions by the world's largest computer manufacturer follows expressions of doubt from companies in several leading US sectors about the strength of an economic recovery.

Mr John Akers, IBM chairman, told the company's annual meeting that the war in the Gulf and economic problems worldwide had made the business environment increasingly difficult – not just in North America, but in Europe and Asia as well.

During the first quarter, customers around the world had deferred decisions on buying and product installations.

The effects of this were felt fairly uniformly across IBM's product line and in its international markets. However, the areas which suffered the most were the US and IBM's large systems.

"How long this cautious approach by our customers will last is hard to tell," Mr Akers said. "Our operating rates will only improve when our customers' confidence about their businesses improves.

"We have seen no evidence yet to indicate any improvement in the near term, and consequently, the year remains uncertain," he added.

For the first quarter, IBM reported net earnings of $500m, down from $1bn earned in the same period of last year. Revenues were down 4.5 per cent at $13.5bn.

The figures disappointed Wall Street, despite IBM's earlier warning of a sharp drop. Analysts were particularly surprised at the sharp fall in its hardware sales.

Some analysts questioned whether this decline was entirely due to general economic conditions.

Yesterday Mr Akers said the future of the computing industry remained bright for those who managed their business well.

IBM must be prepared to take best advantage of the eventual economic improvement, Mr Akers said.

IBM shares rose $⅛ in morning trading on the New York Stock Exchange to stand at $107⅞ at lunchtime.

Siemens plans to take over Texas Instruments unit

By Andrew Fisher in Frankfurt

SIEMENS, the German electrical and electronics group, is to acquire the industrial controls subsidiary of Texas Instruments, the US electronics company.

The German group, which is headed by chairman Mr Karlheinz Kaske, says the takeover would enhance its automation technology activities, in which it claims to be one of the world's leaders.

Siemens said that the intended purchase would increase its presence in the field of computerised controls in both the US and other world markets.

Texas Instruments explained the proposed deal by citing its desire to focus more on computer equipment, software, and services.

Siemens said the size of the world market for industrial controls was around DM7bn ($4bn), concentrated mainly in western Europe, the US, and Japan.

The German company has about 20 per cent of this market, equivalent to a turnover of around DM1.5bn. Among its competitors are Allen-Bradley of the US, Fanuc of Japan, and Germany's AEG.

The Texas Instruments subsidiary employs 900 people in the US at its Johnson City, Tennessee, plant and 300 elsewhere in the US and abroad. No turnover figure was given, but analysts said revenues of the unit were around $120m.

After the transaction, Siemens will continue to sell both companies' products in parallel. Texas said it was also considering the sale of its process automation business.

Neither side would give a price for the deal with Siemens, but Texas said the financial effect would be positive for the US company.

Texas Instruments also said that it was evaluating the possible disposal of its Process Automations Systems business which is based in Hunt Valley, Maryland. It said its Custom Manufacturing unit was not part of the sale to Siemens.

Siemens' current US operations employ almost 35,000 people at 60 manufacturing or assembly plants.

● Philips, the Dutch electrical group, is expanding into eastern Germany via the purchase of speciality lighting manufacturer, Narva Lamp. The Dutch group plans to pump substantial capital funds into the Germany company.

Details, Page 22

Venables bids for Spurs stake

By Jane Fuller, in London

MR TERRY VENABLES, manager of Tottenham Hotspur, the London football team, has opened the scoring on the refinancing of the debt-weary club.

But the £3.25m ($5.49m) offered yesterday by a new consortium, Edennote, involving Mr Venables and his business partner Mr Paul Riviere, falls far short of the £20m that Mr Venables was originally trying to assemble to take over the club and relieve its £10m-plus debt to Midland Bank.

Edennote has offered to buy 5.4m new shares at 60p each, giving it a 35 per cent stake. No response came from the Tottenham board yesterday.

Messrs Venables and Riviere recently took a controlling stake in the Scribes dining club in Kensington. The club was to have been the venue for a press conference elaborating on the deal yesterday evening, but Mr Riviere said it had been postponed so as "not to contravene Stock Exchange regulations."

Mr Venables showed a little less concern for the niceties of approaching a quoted company – albeit one whose shares have been suspended for six months – when he made a personal statement to the Press Association sports desk on Sunday night. This sparked some complaints to the Takeover Panel.

He spoke vaguely of a package that would enable the club to keep England international Paul Gascoigne, for whom the Italian club Lazio has offered around £8m, and answer the refinancing requirements of Spurs.

He ended by saying: with a touching plea: "I hope the board and Midland Bank accept my offer which I believe secures the future of Spurs."

After this, the Panel suggested the consortium make an announcement. "If this goes any further, there will have to be a shareholders' meeting and a circular sent beforehand."

Yesterday's statement from Edennote said the offer had various conditions.

One was "certain board changes" As Mr Irving Scholar, football club chairman and holder of 26 per cent of the shares, is no longer on the board, was the request to remove any of the rest? Paul Bobroff, ex-chairman? Nat Solomon, newish chairman? Ian Gray, chief executive? There was no elaboration.

Another was that the Takeover Panel should waive the rule triggering a bid when a holding surpasses 29.9 per cent.

Etam rebuffs renewed bid from South African group

By Jane Fuller in London

THE FAMILY that controls one of South Africa's largest women's fashion chains has taken the first public step towards a possible bid for Etam, the UK fashion chain.

Oceana Investment Corporation, a vehicle for the Lewis family which owns the 700-store Foschini chain in South Africa, has made a tender offer of up to £22.3m ($37.68m) for 18.5 per cent of Etam's shares. This would take its stake to 25.1 per cent.

The maximum price offered is 185p per share, putting a market value of £121m on Etam. This compares with £114.3m at yesterday's closing price of 175p, up 15p.

Mr Michael Lewis, a director of Oceana and Foschini, said Oceana was considering making an offer for the whole of Etam. It did not want to make a hostile bid and the tender offer was a way of gauging shareholder response.

Etam responded angrily to the move, describing it as "an attempt to gain back-door control at an unacceptably low price". The board had already rebuffed a cash and shares takeover proposal, worth about 150p a share, from Oceana.

Over the past four years Etam has invested £78m to increase floor space by 60 per cent. It has added the Snob teenage fashion and Peter Brown menswear shops to its portfolio as well as expanding the established Etam and Tammy Girl chains. Turnover has increased by more than 80 per cent to £206.5m.

But the 1990-91 results announced last week showed a 51 per cent fall in profit to £8.5m from £17.5m, which compares with the record £17.9m set in 1987-88. The figure was the worst since 1983-84. However, after a first-half loss of £1.1m, Mr Howard said the management had proved its ability by effecting a dramatic second-half recovery in adverse market conditions.

The offer for up to 12.1m shares in Etam is being made by Campbell Lutyens Hudson, the investment bank, on behalf of Oceana Retail Holdings, set up for the purpose. The closing date is May 7 and the striking price will depend on the number of shares subscribed. Oceana is seeking a minimum additional stake of 5 per cent.

Christiania Bank suffers loss

By Karen Fossli in Oslo

CHRISTIANIA, Norway's second biggest bank, yesterday unveiled a first-quarter net loss of NKr279m ($40.9m), compared with a net profit of NKr260m in the same period last year.

The setback stemmed mainly from lower net interest income, which fell to NKr724m from NKr853m, and higher loan loss provisions which more than doubled to NKr610m from NKr267m in the first quarter of 1990.

Group operating profit, before credit losses, fell to NKr351m in the quarter from NKr546m.

Mr Sverre Walter Rostoft, president, admitted the result is weak but said that the bank had started 1991 better than it had ended 1990.

One bright spot was an increase in non-interest income which rose NKr496m from NKr468m last year, mainly due to an increase to NKr108m in gains on foreign exchange trading from NKr68m last year.

Profits on securities trading rose slightly to NKr110m from NKr107m.

Costs rose to NKr887m in the quarter from NKr790m last year mainly due to restructuring. The bank forecast that expenses in 1991 will be lower than in 1990 when they reached NKr3.9bn.

Mr Rostoft said the bank's old headquarters is for sale which could produce a profit of up to NKr400m.

Banco Hispano sells stake

By Peter Bruce in Madrid

BANCO HISPANO Americano, one of Spain's large commercial banks, has taken a further step towards protecting itself from unfriendly takeovers with the agreed purchase of 2.76 per cent of its capital by the Mexican group, Bailleres, which has interests in industry and retailing.

Banco Hispano also recently announced that it hoped to conclude an asset swap with Banco di Roma later this year, which would result in each bank holding some 5 per cent of the other.

Novo Nordisk rights issue

By Xueling Lin in Copenhagen

NOVO Nordisk, the Danish pharmaceutical company specialising in insulin production and diabetic care, plans a DKr1.5bn ($223m) rights issue.

At the annual general meeting on April 24, the board won agreement to increase share capital by up to a total of nominal DKr160m in one or more stages, distributed proportionally between A and B shares. The ceiling on increases in share capital in connection with acquisitions was raised from nominal DKr60m to DKr100m.

The company said group sales for 1990 rose by 10 per cent to DKr8bn while pre-tax earnings grew by 8 per cent to DKr1.1bn. Insulin sales grew 19 per cent and the company reported significant market share gains in key areas such as the US and Japan.

Results for the first quarter of this year, which are due in mid-May, are forecast to follow this favourable trend and based on this the company has opted for a pre-emptive rights issue.

In the short term it expects investment needs to be substantial.

Management buy-out offer at British leisure group

By Philip Rawstorne in London

MANAGEMENT at Brent Walker, the heavily-borrowed leisure group, yesterday offered to buy out the company's brewing operations and several pubs.

Mr Alistair Arkley, managing director of Brent Walker Brewing and Trading and leader of the buy-out team, said it was hoped that "the company will view favourably this firm offer against other options which it is understood to be considering".

Allied-Lyons, the food and drinks group, said last week it had been discussing a possible deal with Brent Walker. One suggestion was that Allied could agree to supply Brent Walker's 1,122 pubs, putting extra volume through its own six breweries.

Such a move might involve the closure of Brent Walker's Camerons brewery in Hartlepool, which employs 400. Union representatives from the brewery yesterday delivered to the company a petition against such a move, signed by 20,000 Hartlepool residents.

Camerons' main beer brand, Strongarm, is sold mainly through pubs, grocers, and off-licences in the Teesside area.

Mr Arkley said yesterday his buy-out team, which includes the division's finance, production and commercial directors and is being advised by accountants, Price Waterhouse, had secured support from several banks and institutions.

An "indicative offer" had been made to Brent Walker for the brewery and several pubs in the locality.

Brent Walker, which is due to publish its 1990 accounts next month, is working with its bankers on a restructuring of liabilities. The leisure group must raise cash and prune operations to service its £1.4bn ($2.36bn) debt.

There have been reports that some bankers are pressing Brent Walker to sell the William Hill betting shops chain. The group still owes Grand Metropolitan, the UK drinks, food and retailing group,£50m of the £615m purchase price.

Allied-Lyons' results, Page 22

Looking for something to build on

Lafarge Coppée seeks to cement its future, writes George Graham

Watching the economy for signs of an upturn can be hard enough at any time, but with weather fluctuations and the Gulf crisis disturbing the signals, the task becomes even more unsettling.

"I would love to have a clear model to hang on to," says Mr Bertrand Collomb, chairman of Lafarge Coppée, the largest French cement and construction materials group.

For 1990, the impact was clear enough. The recession in North America, especially in Canada, made a dent in Lafarge's earnings. Lafarge Corporation, the group's US offshoot, suffered an 8 per cent drop in operating profits, with net profits stable at FFr2.19bn ($360m) thanks to higher exceptional gains and a lower tax charge.

Europe, on the other hand – especially Lafarge's domestic market in France – showed only a slight downturn. In Spain, Lafarge's Asland subsidiary, acquired in 1989, continued to produce strong profits despite a flattening of the cement market and an increase in competition from imports.

Mr Collomb does not expect much of a pick-up in business in North America before the end of the year, although he notes significant regional variations: Florida, he says, is now a disastrous market for cement, as bad as Ontario was last year, whereas the Great Lakes have resisted the recession better and Texas is now recovering.

More disconcerting, however, were Lafarge's difficulties in two other markets which are expanding rapidly: plasterboard and bio-technologies.

In plasterboard, where the group ranks second in Europe with a 25 per cent market share since it teamed up last year with Redland of the UK, overcapacity has led to price-cutting wars. Operating profits in this sector halved last year to FFr136m.

"It is clear prices are at levels where no-one earns any money, but we consider that we are among the most competitive," he says.

Over the longer term, Lafarge expects the plasterboard market to show annual growth of 5 per cent. For the immediate future, Mr Collomb draws encouragement from a recent price rise introduced in the UK by BPB, the market leader, but still expects 1991 to be a difficult year.

Lafarge's bio-technologies division, meanwhile, sank back to an operating loss of FFr59m last year, after profits of FFr212m in 1989. Buffeted by the decline in the dollar, the lysine business, making animal feedstuffs, saw prices plunge by 30 per cent, although Mr Collomb says demand is still strong for products like monosodium glutamate, and the seeds division showed a slight improvement.

Bertrand Collomb: plans to develop seeds sector

This division is the one which financial analysts have always had the most difficulty in reconciling with Lafarge's core businesses in the construction materials sector, but Mr Collomb appears ready to persevere with this diversification.

Seeds, however, are one sector where Lafarge is rethinking its position. Mr Collomb plans to continue developing its vegetable and flower seed sector, but he is now seeking a partner in the cereal seeds business to enable the group to take better advantage of the research it has put in.

For 1991, Mr Collomb denies adopting a defensive posture, although he admits to a prudent approach. He plans to continue exploiting the reserves of profitability in the companies Lafarge has acquired over the last two years – which he says are already making a positive contribution to earnings after financing costs – by bringing productivity up to the group's normal levels, and to maintain industrial investments.

The overall investment budget will be restricted to what Lafarge can cover with its own cashflow, or around FFr5bn, but the acquisitions budget will be reined in after the FFr12bn spending spree of the last two years – although there could still be room for acquisitions up to around FFr2.5bn, perhaps in Lafarge's developing paints and special building materials division.

"We are not expecting a miraculous economic upturn, but we are not going into hibernation," Mr Collomb says.

Philips to take over east German lamp maker

By Ronald van de Krol in Amsterdam

PHILIPS of the Netherlands, the world's biggest lighting manufacturer, is to take over Narva Lamp Factory, a maker of vehicle and other types of speciality lamps in eastern Germany.

The Dutch company declined to say how much it will pay for the company but it said that it will be making substantial investments in modernising the factory over the next few years.

Narva Lamp, located in Plauen, has annual sales DM40m ($22.6m). The company exports a large part of its output to other parts of Europe, where they tend to be sold in shops which cater for the lower end of the price range.

Philips will retain the Narva name for the factory's international shipments.

Under an agreement reached between Philips and Germany's Treuhand, the agency handling the privatisation of eastern German industry, Narva's workforce will number 500 when Philips assumes formal control on May 1.

A year ago, Narva employed as many as 1,300 but the workforce has been reduced sharply as the company was prepared for privatisation, a Philips spokesman said.

Last month Philips reached agreement on acquiring a 51 per cent stake in Polam-Pila, a Polish lighting maker with annual sales of $50m and substantial exports to western markets, including the US.

French insurer turns in annual profits up 23%

By George Graham in Paris

AXA, the French insurance group, has reported a 23 per cent rise in net profits last year to FFr3.35bn ($560m)

The group, including the former Compagnie du Midi but not the Normandy mutual companies which are its ultimate owners, said insurance premium income rose by 8 per cent to FFr39.4bn, with gross revenue from banking and financial services rising 25 per cent to FFr7.1bn.

Direct earnings from Axa's insurance activity dropped, while the group benefited from capital gains on the sales of some of the substantial industrial stakes held by the former Midi, including Brasseries et Glaciéres Internationales, the African brewing group, and Garonor, the huge road transport deport north of Paris.

Mr Claude Bébéar, Axa's chairman, is still looking at a number of possible acquisitions in the US insurance market after the collapse last year of his proposed $4.5bn takeover of Farmers Group, which lapsed when Sir James Goldsmith's Hoylake consortium failed in its bid for Farmers' parent, BAT Industries.

● State-controlled Banca Commerciale Italiana expects net profit to grow by around five per cent in 1991, slower than last year's 10 per cent, Reuter reports from Milan.

Mr Sergio Siglienti, the president, told the annual meeting that the cost of financing new investments would slow profits this year.

INTERNATIONAL COMPANIES AND FINANCE

Axe falls on N American forestry

A big shake-up looms in the battered industry, writes Bernard Simon

The harsh bite of recession, plus far-reaching changes in the market for wood products, are creating the need for a big shake-up in the North American forestry industry.

A spate of acquisitions, mergers, financial restructurings, mill closures, and product-mix adjustments are among the likely outcomes as US and Canadian companies, some of them heavily burdened with debt, ponder their response to the unexpectedly severe turbulence.

In a typical comment, Mr Amit Wadhwaney of M.J. Whitman & Co, a New York securities firm, said: "You've seen some excesses and you're going to see some unwinding."

Few sectors other than real estate have been battered harder than the forestry industry over the past year. Its biggest customers – the publishing and construction industries, for instance – are themselves among the most tightly-squeezed victims of the business slowdown.

With the sole exception of Kimberly-Clark, the tissue maker which is as much a consumer products company as a forestry one, the industry leaders suffered steep declines in first-quarter earnings. Several are deep in the red (see table).

The $7m loss posted by Georgia-Pacific, the biggest producer, would have been $50m were it not for the sale of containerboard and corrugated packaging businesses.

Mr Gary Palmero, analyst at Oppenheimer and Co, estimates that the shares of forestry companies are now at their biggest discount to book value – over 50 per cent on average – in more than 30 years.

No improvement is likely in the second quarter. Mr Andrew Sigler, chairman of Connecticut-based Champion International, sums up the industry's mood with: "The second quarter looks tough, and beyond that it's too soon to tell."

The recession has snaked through the forestry industry like a line of falling dominoes, hitting one product after another. Newsprint was the first, followed by lumber, pulp and, most recently, uncoated white papers. The slump in white papers largely explains Boise Cascade's slide to a $16.9m first-quarter loss.

The outlook for coated papers is also clouded by overcapacity. Offshore markets, one of the first quarter's few bright spots, will be threatened if the US dollar sustains its recent advance.

Wilting demand is pushing down prices for most products. According to the Canadian Pulp and Paper Association, the US consumed 6.2 per cent less newsprint in the first two months of this year than during the same period in 1990. A 5.5 per cent price hike which was supposed to take effect on January 1 has been quietly abandoned. Discounts are the order of the day.

Equally worrying for the industry is growing spare capacity, caused partly by the recession but also by the start-up of pulp and paper mills conceived during the heady days of the late 1980s. Mr Palmero estimates, for instance, that US newsprint capacity will grow by almost 5 per cent this year and another 2.6 per cent in 1992.

Meanwhile, the cost of building new mills, modernising old ones, and of acquisitions has swollen the industry's debt. Georgia-Pacific's long-term debt more than doubled to $5.2bn last year following its purchase of Great Northern Nekoosa.

Stone Container of Chicago, which is widely regarded as one of the weakest companies in the US industry, has $896m in debt maturing this year, and another $471m in 1992.

An example of the highly-leveraged new projects is the Ponderay newsprint mill in Washington state, jointly owned by Canadian Pacific Forest Products and various US publishing companies. More than two thirds of the mill's $352m cost was financed by debt. Cash flow from the project is earmarked for debt repayment until a target debt-to-equity ratio is reached.

Although the industry's fortunes are bound to improve when the economy picks up, producers also face wrenching structural changes.

Trees once regarded as little more than weeds are increasingly being used in timber products, pulp, and some grades of paper. Producers of high-quality timber from the north-west US and western Canada, battling to remain competitive, are moving as fast as possible away from "commodity" grades to value-added building materials and manufactured paper products.

Environmental pressures are also forcing changes. The growing use of recycled paper is eroding demand for virgin timber. Stricter forest conservation rules threaten to shrink the amount of timber available for cutting, while pushing up transport and logging costs.

Some companies have started to face reality. Weyerhaeuser has sold assets worth $400m in the past two years, including a hardwood factory and a beauty aids centre. Abitibi-Price, the biggest Canadian newsprint producer, will soon shut down one of its mills.

Analysts are dividing the industry's players into the strong and the weak. The latter group, which includes Stone, Boise Cascade and most of the Canadian companies, are likely to undergo the most radical surgery during the looming shake-up.

First Quarter 1991 Paper Company Earnings ($m)

	Sales	% change on year	Net income	% change on year
International Paper	3,100.9	-3.1	132.0	-26.7
Georgia Pacific	2,778.0	+4.9	(7.0)	N.M
Weyerhaeuser	2,062.7	-10	52.4	-60
Kimberly Clark	1,667.8	+6.0	120.3	+2.6
Scott Paper	1,234.2	-4.7	29.3	-61.2
James River	1,169.5	-18.8	39.4	-21.0
Champion Intemt'l	1,164.8	-9.3	14.8	-78.8
Mead	1,097.2	-3.5	13.4	-66.1
Boise Cascade	992.7	-9.1	(16.9)	N.M
Union Camp	722.1	+2.9	41.2	-38.9
Westvaco	573.3	-2.1	16.6	-64.3
Willamette	467.2	-1.9	5.5	-87.0
Louisiania Pacific	362.4	-23.7	(8.6)	N.M
Federal Paper Board	331.6	+4.7	27.9	-28.1
Stone Container	1,336.8	-8.1	1.3	-98.1

Source: Company Reports Research Associate: Rivka Nachoma

Israel is advised to break bank sale contract

By Judy Maltz in Jerusalem

ISRAEL'S attorney general has advised the government not to sell the Israel Discount Bank group back to its original owner, Mr Raphael Recanati, because of charges against him for his role in a share price scandal.

The IDB group was the first Israeli bank put up for sale by the government, which hopes to divest itself of its majority shareholding in the country's four leading commercial banks.

The government acquired control of the banks in 1983, when it bailed them out of a share crisis that threatened to topple the banking system. The Recanati family submitted the only bid for IDB.

The attorney general's recommendation is likely to to slow down the bank sale process in Israel. The treasury had hoped to finance at least part of the heavy costs of absorbing an influx of Soviet immigrants this year by selling off its assets. It had assumed that at least two big banks would be sold by the end of the year.

In a legal opinion addressed to the finance minister and the central bank governor, the attorney general, Mr Joseph Harish, stressed that "essential public needs" justified breaking a contract signed by the government and the Recanati family over the sale of IDB.

The opinion noted that the charges pending against Mr Recanati were especially severe since they "related specifically to the areas of banking and securities which, by nature, are based on special relations of trust with the public."

Mr Harish's legal opinion endorsed the view of Bank of Israel governor Mr Michael Bruno, who several months ago urged the government to suspend negotiations with the Recanati family until the court had ruled on the case.

A ministerial economics committee, headed by finance minister Yitzhak Modai, then rejected the governor's recommendation, on the grounds that it would mean violating the contract signed with Mr Recanati.

In his legal opinion, Mr Harish said that although the Recanati family had previously owned the bank, it still needed a permit from the Bank of Israel to purchase the bank. The attorney general recommended that the central bank not grant him this permit.

Polish group confident of 1991 results

By Christopher Bobinski in Warsaw

UNIVERSAL, a Polish foreign trade company privatised last year has reported an after tax profit of [illegible] zlotys ($22m) for 1990 of which 58 per cent is to be paid to shareholders as a dividend of 8,000 zlotys per share.

The opening price of the shares when the company was privatised last summer was 20,000 zlotys and the current share price is 38,200 zlotys.

The share sale raised some 250bn zlotys. The company plans to spend 115bn zlotys this year on purchases of state sector food processing plants, a metal works, and on property and retail trade investments. Mr Dariusz Przywieczerski, the managing director, said he was "confident" about this year's results.

● Mr Wieslaw Panter, the managing director at the Krosno glass works has resigned after trading in the company's shares were suspended during last weeks's session on Warsaw's new stock exchange. The suspension came when the number of potential sellers exceeded buyers by over 5 to 1 and the company's share price was fixed at 54,000 zlotys or 10 per cent below the previous week's price to await the next session taking place today.

● Business Centres of the US has set up a joint venture with the Warsaw central district authority to put up a new office building in the city.

Firestone in Argentine tax row

By John Barham in Buenos Aires

THE ARGENTINE subsidiary of Firestone, the Japanese-owned tyre company, has threatened to close down if the government forces a demand for an estimated US$80m-$100m in back taxes.

Several other subsidiaries of multinational companies also face heavy tax demands. Among them is British American Tobacco and Perkins.

However, Firestone, headed by Mr Manuel Balbis, who is also president of Argentina's American Chamber of Commerce, has taken the most aggressive stance towards the DGI, Argentina's tax department. He said: "Our net worth is about $22m. There is no way we can pay the kind of money they are asking for."

The dispute began in 1985, when companies bought and sold government tax rebates on an apparently legal secondary market. The companies now being pressed for payment paid their taxes with rebates bought from Koner-Salgado, an Argentina conglomerate.

A DGI investigation in 1985 found evidence of fraud in Koner-Salgado's tax rebates. It subsequently rejected payments made with its certificates.

However, Mr Balbis claims the DGI's findings were not made public until 1988, when Firestone ceased buying from Koner-Salgado.

The case has come to a head after a final deadline for payment expired last week. The Supreme Court ruled that companies must pay first before negotiating with the DGI.

Growing interest in Argentina by foreign investors could be undermined unless a satisfactory compromise can be found.

Mr Domingo Cavallo, economy minister, said: "We are prepared to discuss [anything] within the law and we are doing that." He added, however, that "it is not within the powers of the DGI not to collect [taxes] that the law requires it to collect."

However, a diplomat monitoring the case said the government would try to put off the problem until its finances were in better shape.

PT Inco hit by lower deliveries

PT INTERNATIONAL Nickel Indonesia (PT Inco), which was floated on the Jakarta stock exchange in April last year, saw first-quarter earnings fall by half, from US$18.6m, or 8 cents a share, to $9.6m, or 4 cents, writes Kenneth Gooding, Mining Correspondent.

Lower nickel deliveries, down from 17.7m to 14.9m lbs, as the company was recovering from a boiler explosion which cut output, and higher production costs were only partly offset by higher realised nickel prices.

PT Inco, 58 per cent owned by Inco of Canada, realised $3.02 a lb for its nickel in the quarter, against $2.74 last time.

Singapore press group up 30% against trend

By Joyce Quek in Singapore

SINGAPORE Press Holdings (SPH) succeeded in lifting both profits and turnover in the first half, resisting the downward trend set by many publishing and newspaper groups worldwide.

Group turnover for the half-year to February of S$274.5m (US$157.2m) was 8.5 per cent higher, while group pre-tax profits jumped 30 per cent to S$110.4m from S$85m.

The improvement came on the back of higher advertising revenue in the first quarter, rationalisation of group operations and cost containment, and lower depreciation charges.

Although investment income of S$9.4m was pegged at the February 1990 level, provisions for a reduction in the value of investments of S$1.1m last time turned into a writeback of S$3.2m this half-year. This was due to higher market values.

A writeback of similar provisions for long-term investments boosted extraordinary profits by S$5.4m. This was part of a S$12.8m provision made for SPH's 5 per cent stake in The South China Morning Post acquired from Mr Rupert Murdoch.

The move helped offset further losses incurred by an associated company, amounting to S$2.6m.

Group attributable profits were consequently lifted 43.4 per cent, from S$57.2m to S$82.1m in February, while earnings per share rose from 28.3 to 31.2 cents.

The directors forecast that, with the end of the Gulf war, operating results for the second half year are expected to remain satisfactory.

The group's performance was in line with the forecasts of analysts, who expect advertising revenue to increase as the local economy picks up.

An interim dividend of 8 cents per share was declared.

Advertising decline hurts publishers

By Robert Gibbens in Montreal

CANADA'S longest post-war recession and a drastic decline in advertising continue to take a heavy toll on the country's two largest newspaper publishing groups.

Southam, with 17 dailies, suffered a first-quarter loss of C$13.4m (US$11.5m), or 23 cents a share, against a profit of C$14.7m, or 26 cents, a year earlier, on revenues of C$412m, against C$432m. There is speculation of further staff cuts and possibly asset sales. The group includes Commercial Printing and a large bookstore chain.

Torstar publishes Canada's largest daily, the Toronto Star, and operates Harlequin Books. It earned C$6.1m, or 16 cents a share, down from C$20.9m, or 54 cents. Revenues were C$212m against C$229m.

Torstar owns 23 per cent of Southam's common shares and Southam 30 per cent of Torstar's non-voting stock.

WANKIE COLLIERY COMPANY LIMITED

FINANCIAL RESULTS FOR THE YEAR ENDED 28TH FEBRUARY 1991 AND DECLARATION OF DIVIDENDS

The audited results for the year ended 28 February, 1991 with comparative figures for the previous year are as follows:

SALES	1991	1990
Coal tonnes	4,785,193	4,499,491
Coke tonnes	154,774	167,101
	$000	$000
Sales Value (F.O.R.)	185,348	144,208
Net profit for the year	35,759	20,140
Less Taxation	—	—
Net profit after taxation	35,759	20,140
Extraordinary item	—	9,476
Profit after extraordinary item	35,759	10,664
Retained Profit brought forward	775	813
	36,534	11,477
Appropriations		
To Capital Reserve	8,940	2,666
To General Reserve	20,000	8,036
	28,940	10,702
To dividends		
Interim Paid	2,393	—
Final Proposed	4,785	—
	7,178	
Retained profit carried forward	416	775
	Cents	Cents
Earnings per share	75.0	42.0
Dividends per ordinary share: INTERIM 5.0, FINAL 10.0	15.0	—

The calculation of earnings per share is based on the profit of $35,759,000 (1990 – $20,140,000) and the weighted average of 47,852,677 shares (1990 – 47,852,677 shares) in issue during the year. For purposes of calculating the number of shares, effect has been given to the special rights attached to the "A" ordinary shares.

No tax is payable as the company has an assessable loss.

WCC coal sales were 145,146 tonnes or 5.7% above the previous year. HPS coal sales were 140,556 tonnes or 7.19% above the previous year. Whilst this is an improvement, total HPS coal sales were below estimate by 173,606 tonnes or 7.65%.

Coke sales amounting to 154,774 tonnes were 12,327 tonnes or 7.38% below the previous year. Although the coke oven battery continued to operate at the minimum safe operating capacity, the company's stocks have increased due to the static local demand for coke and the stiff competition being experienced in the external markets due to high transport costs.

The Chairman's review together with the Annual Report and accounts for the year ended 28 February, 1991 will be posted to members on or about 30 May, 1991 and the Annual General Meeting will be held on 5 July, 1991.

FINAL DIVIDENDS

At a meeting of the board of directors held on 26 April, 1991 it was resolved that final dividends number 124 of 10 cents per share payable on the ordinary shares and number 9 of 13.33 cents per share payable on the "A" ordinary shares be and are hereby declared in respect of the year ended 28 February, 1991. These dividends will absorb $4,785,000.

The dividends are payable in Zimbabwe currency on or about 7 June, 1991 to shareholders registered in the books of the company on 17 May, 1991. The transfer registers will be closed from 18 May, 1991 to 24 May, 1991 inclusive.

Withholding tax will be deducted from dividends where applicable. Remittability to external shareholders is subject to Exchange Control approval.

By order of the Board.

E.P. Monteiro
Secretary

Harare
26 April, 1991

DIRECTORS: N. Kudenga (Chairman), O.K. Bwerinofa (Managing), D.J. Fry, Dr F. Munezvenyu, D.E.H. Murangari, C.C.W. Parke, A.F.B Ravenscroft, Professor J.G. Voss.

Australia and New Zealand Banking Group Limited

(Incorporated with limited liability in the State of Victoria)

U.S. $300,000,000

Perpetual Capital Floating Rate Notes

For the six months 30th April, 1991 to 31st October, 1991 the Notes will carry an interest rate of 6.525% per annum with an amount of interest U.S. $333.50 per U.S. $10,000 Note and U.S. $8,337.50 per U.S. $250,000 Note, payable on 31st October, 1991.

Listed on the Luxembourg Stock Exchange.

Bankers Trust Company, London — Agent Bank

INTERNATIONAL COMPANIES AND FINANCE

PepsiCo turns in 13% rise despite snacks setback

By Karen Zagor in New York

PEPSICO, the world's second biggest soft drinks company, yesterday turned in a 13 per cent rise in first-quarter net earnings with strong growth in its soft drinks and restaurants businesses offsetting lower results form its snack foods operations.

The figures were at the low end of expectations and shares in PepsiCo fell $1 to $31¼ at midday yesterday.

For the three months to March 23, PepsiCo recorded net income of $205.4m or 26 cents a share, against $181.9m or 23 cents a year earlier. Sales advanced 12 per cent to $4.12bn from $3.68bn.

Pre-tax profits in the first three months of 1991 rose 15 per cent to $316m from $275.6m a year earlier.

PepsiCo's soft drinks business suffered from the loss of the Burger King account and volume in the latest quarter fell 1 per cent.

Sales, however, rose 7 per cent to $1.4bn and operating profits for the business increased 8 per cent to $161.1m.

Operating profits from PepsiCo's international soft drinks business surged 45 per cent to $17.7m on sales which climbed 35 per cent to $344.6m.

Growth was more modest for PepsiCo's domestic soft drinks operations, where operating profits rose 5 per cent to $143.4m on sales essentially flat at $1.06bn.

PepsiCo's three restaurant chains – Pizza Hut, Kentucky Fried Chicken and Taco Bell – recorded earnings of $119.4m, up 35 per cent from the previous year, on a 14 per cent increase in sales to $1.5bn. PepsiCo said the results were driven by the exceptional performance of its US business.

Operating profits from PepsiCo's snack foods fell 4 per cent in the 1991 quarter to $175.4m on sales which rose 16 per cent to $1.22bn.

The company attributed the decline to increased promotional spending and a shift into more competitive product categories.

NCR enlarges board to keep its chief executive

By Nikki Tait in New York

NCR, the Ohio-based computer manufacturer engaged in a multi-billion dollar bid battle with American Telephone & Telegraph (AT&T), has moved to enlarge the size of its board, thus allowing its chief executive, Mr Charles Exley, to remain on it.

In March, NCR shareholders voted in favour of an AT&T motion which sought to replace Mr Exley, together with three other NCR directors, by four AT&T representatives on the board.

As result, Mr Exley and his three fellow directors were due to leave the board tomorrow when four AT&T nominees would take their places.

However, the NCR board decided at a meeting on Sunday that it would increase the size of the company's board to 14. It would reappoint Mr Exley to one of the new vacancies, while Mr Gilbert Williamson, NCR's president, would fill the other. Mr Exley would continue as chairman of the board, NCR said.

There was no immediate response from AT&T, and it declined to say whether it had been warned of the changes. After further talks at the weekend, both companies said they were making progress towards an agreed deal, although AT&T yesterday described the state of play as "delicate".

AT&T offered to increase its bid price to $110 a share earlier this month, but only in an all-paper deal.

Arco posts decline in line with expectations

By Karen Zagor

ATLANTIC Richfield (Arco), the Los Angeles-based oil and gas company, yesterday posted a decline in underlying first-quarter earnings, in line with its earlier predictions.

Arco's 1990 results were distorted by a $323m gain from a change in accounting methods and $233m after-tax charges relating to environmental clean-up costs and tax provisions.

Including these one-time items, Arco's net income for the first three months of 1991 dropped 41 per cent to $351m or $2.17 a share from $592m or $3.55 a year earlier.

Mr Lodwrick Cook, chairman, said the first-quarter results reflected unseasonably low natural gas prices, lower average crude oil prices and lower margins and volume for chemical operations. These more than offset stronger refining results and higher crude oil and natural gas output levels.

Arco's worldwide oil and gas exploration and production operations earned $261m after tax, down 19 per cent from $319m a year ago. Refining and marketing earned $74m against $72m.

Arco's average price for domestic crude oil slid 8 per cent to $13.58 a barrel, compared with $14.72 a year earlier. Average domestic gas prices fell 12 per cent to $1.68 per thousand cubic feet from 41.89.

First quarter after-tax earnings from Arco's 83.4 per cent interest in Arco Chemical dropped to $52m from $71m.

The results included a $60m pre-tax charge related to a shutdown of an Arco Chemical plant in Texas.

●National Intergroup has signed a definitive agreement to sell its Permian oil distribution subsidiary to Ashland Oil for about $75m in cash and 2.2m Ashland common shares, Reuter reports. It said Ashland would also assume about $83m in debt and Permian would forgive about $14m in debt owed it by National Intergroup.

LTV hit by downturn in cars and appliances

By Martin Dickson in New York

LTV, the third largest US steel group, yesterday reported a first-quarter net loss of $46.3m, which it blamed on a slump in demand for cars and household appliances.

LTV, which has been operating under the protection of the US bankruptcy courts since 1986, is the latest in a succession of US steel manufacturers to report first-quarter losses stemming from the North American economic downturn.

The net loss, on sales of $1.43bn, compared with income of $44.2m on sales of $1.49bn last time. The loss per share was 46 cents, against earnings last year of 32 cents.

LTV's steel operations reported a first-quarter operating loss of $48.8m, before restructuring charges, against operating income of $41.1m in the first quarter of 1990.

Shipments declined by 356,000 tons, due to lower demand for cold-rolled sheets, hot-rolled sheets and galvanised products.

In February the group reached a preliminary agreement on settlement of a long-running pensions liability battle. The deal should eventually pave the way for it to emerge from bankruptcy proceedings.

LTV said yesterday it intended to file a preliminary plan of reorganisation by May 6. It stressed that negotiations on many key issues would be needed before its creditors could agree on a package.

Cominco faces big write-down on smelter snags

By Robert Gibbens in Montreal

COMINCO, the mining and metals group, continues to encounter problems with its zinc-lead smelting operations at Trail, British Columbia, and may write down one-third of the C$145m (US$125m) value of its new lead processing unit.

The German-designed lead smelter, an important environmental advance, was started-up at the end of 1989 but rapidly ran into operating problems. The old lead smelter was brought back into production after extensive repairs but the new unit then had to be shut down completely for major modification.

In the first quarter, Cominco posted a net loss of C$10.2m, or 14 cents a share, against a profit of C$17.1m, or 20 cents, a year earlier, on sales of C$275m, against C$309m. The first two quarters are normally weakest for the group since it ships concentrates from its two Arctic mines only in the second half.

Mr Robert Halbauer, Cxominco president, says the group will make a profit for all 1991 if base metals and fertiliser prices stay at current levels.

He added that it will probably be known by the end of May what modification has to be made to the smelter.

Teck, the Vancouver-based mining group which effectively controls Cominco, reported first-quarter profits of C$11m, or 14 cents a share, down 54 per cent from a year earlier, on revenues of C$104m, down nearly 14 per cent. Besides the Cominco loss, Teck had lower production and prices for its gold.

US legal eagles may clip Schneider's wings

Barbara Durr on the challenge for Square D

The takeover battle being waged by Groupe Schneider of France for Square D of Illinois is about to enter a critical phase. During the next two weeks, two key legal decisions will be made that could spoil the French company's plans.

At hearings on May 9 and May 13, Judge Leonard Sand, of the US District Court for the Southern District of New York, is scheduled to decide whether there are grounds to Square D's allegations that a takeover by Schneider would violate American anti-trust laws.

Square D has asked for preliminary injunctions against Schneider to halt its proxy solicitation and tender offer of $78 per share, or $1.9bn. Both Schneider and Square D make electrical equipment.

If Judge Sand were to find in favour of Square D, Schneider would find it difficult to resolve the legal challenge in time for the US company's annual meeting on May 24, when proxy votes will be cast for the board of directors.

A simple majority vote would win the proxy fight and allow Schneider to replace the current board. The replacement Schneider-affiliated board could then clear the way for completion of the takeover transaction.

The board would have to remove the company's poison pill provision and waive Square D's obligation under the law of the state of Delaware, which requires that hostile bidders acquire 85 per cent of the company's shares. This done, Schneider could then purchase the shares tendered to it.

At the last count, on April 12, Schneider said that some 78 per cent of Square D's shares had been tendered to it. While falling short of the 85 per cent requirement, Schneider's chances of obtaining at least a simple majority of proxies would appear to be rather good.

Square D has spurred anti-trust reviews of Schneider's bid in the US, Canada, Britain, and Italy, according to a letter by Square D chairman, Mr Jerre Stead to Schneider chairman, Mr Didier Pineau-Valencienne. Square D's US anti-trust allegations rest principally on one point. It charges that Schneider's slate of nominees for the board, submitted in February, violates the provision of American law regarding interlocking directorates.

The slate contains directors, officers and consultants of Schneider and its affiliates.

While Schneider has argued there is no merit to Square D's legal challenges, it submitted an alternative slate of board candidates in early April. While these nominees apparently would not violate US laws on interlocking directorates, it was received too late to qualify under company by-laws, Square D says.

The deadline for board of director's nominations was at the end of February, which is when Schneider sent in its original list.

Besides trying to thwart Schneider's takeover by legal means, Square D has been pursuing other options. It was reported last week to have sought $1bn in financing for a leveraged recapitalisation.

Although the company would not comment on its intentions the loans could be used to pay shareholders a special dividend. This could at least cover the tender offer's price and thus convince shareholders to stay on board with the current management.

As Square D's financing proposal to banks was reported last week, Mr Pineau-Valencienne offered to raise the tender offer's price if Square D's management would come quietly to the table. But relations between the two chairman are now so embittered that even a sweeter deal is considered unlikely to be persuasive.

Analysts believed the original Schneider offer of $78 was a generous one. This is partly because they feel Square D, while weathering a difficult economic period relatively well, has not lived up to its own assessments of success.

After news of a possible price increase from Schneider last week, the market boosted Square D shares to $81.25, a $3.25 premium over the tender offer price. They closed last week slightly down from that peak, at $80.12.

Control Data advances smartly on one-off gain

By Louise Kehoe in San Francisco

CONTROL DATA, the US computer manufacturer, reported stronger than expected first-quarter results, boosted by a one-time restructuring gain. The company warned, however, that it did not expect to be able to maintain this pace of recovery.

First-quarter net earnings were $7m, or 16 cents per share, compared with $6.8m, or 16 cents, in the same period last year. Revenues fell to $405.8m from $421.6m in the first quarter of 1990.

First-quarter earnings per share from operations were 6 cents per share, compared with 3 cents per share in 1990.

Revenues in the 1990 period included contributions from several operations that have since been sold or discontinued.

"We are pleased with Control Data's operating progress in the first quarter, but mindful that revenues from ongoing businesses were essentially flat and lower than anticipated as a result of the difficult economy," said Mr Lawrence Perlman, president and chief executive.

"Given the uncertain economic conditions that exist worldwide, particularly as they affect the computer industry, we do not expect the company's operations to sustain the pace of improvement recorded in the first quarter. However, we remain optimistic that Control Data can achieve better results in 1991 than it did in 1990."

In 1990, Control Data reported earnings of $2.7m, or 6 cents per share, on revenues of $1.69bn.

Net earnings in the 1991 first quarter include a net pre-tax restructuring gain of $5.4m.

The gain resulted in part from the sale of an equity stake in Seagate Technology, but was balanced by restructuring charges of $40.9m.

Wells Fargo & Company

£60,000,000

Floating rate subordinated notes due January 1994

In accordance with the provisions of the notes, notice is hereby given that for the Interest period 26 April, 1991 to 26 July, 1991 the notes will carry an Interest Rate of 11 15/16% per annum. Interest payable on the relevant interest payment date 26 July, 1991 will amount to £148.81 per £5,000 note.

Agent: Morgan Guaranty Trust Company

JPMorgan

US $204,000,000

Republic of Italy Euro Repackaged Assets Limited F.E.R.A.R.I. I

Floating Euro-dollar Repackaged Assets of the Republic of Italy due 1998

For the period from April 30, 1991 to July 31, 1991 the Notes will carry an interest rate of 6⅛% per annum with an interest amount of US $1,565.28 per US $100,000 Note.

The relevant interest payment date will be July 31, 1991.

Agent Bank:
Banque Paribas Luxembourg Société Anonyme

CIVAS 10 LIMITED

US$100,000,000

Secured Floating Rate Notes due 1992

Interest Rate 6.585% p.a. Interest Period April 30, 1991 to October 31, 1991. Interest Payable per US$100,000 Note US$3,365.67.

April 30, 1991, London
By Citibank, N.A., (CSSI Dept.), Agent Bank

NOTICE TO HOLDERS OF

Bearer Warrants to Subscribe for Shares of Common Stock of

SEKISUI HOUSE, LTD.

issued in conjunction with

U.S. $300,000,000 3⅞ per cent. Guaranteed Bonds Due 1991 (the "1991 Warrants")

and

U.S. $300,000,000 4⅞ per cent. Guaranteed Notes Due 1992 (the "1992 Warrants")

Pursuant to Condition 11 of the Terms and Conditions of the 1991 Warrants and Clause 4(C) of the Instrument dated 13th November, 1986 under which the 1991 Warrants were issued, and pursuant to Condition 11 of the Terms and Conditions of the 1992 Warrants and Clause 4(C) of the Instrument dated 26th August, 1988 under which the 1992 Warrants were issued, notice is hereby given as follows:

1. At the general meeting of shareholders of the Company held on April 25, 1991, the Company resolved to distribute stock dividend of 0.07 Shares per one Share held. New Shares were issued on April 25, 1991.
2. As a result of the above transaction, the current subscription prices for the respective Warrants shall be adjusted effective retroactively from 1st, February, 1991, Japan time. The subscription price in effect for the 1991 Warrants prior to such adjustment is Yen 1,336.20 per Share and the adjusted subscription price is Yen 1,248.80 per Share. The subscription price in effect for the 1992 Warrants prior to such adjustment is Yen 1,686.60 per Share and the adjusted subscription price will be Yen 1,576.30 per Share.

SEKISUI HOUSE, LTD.
By: The Bank of Tokyo Trust Company as Disbursement Agent

Dated: April 30, 1991

NOTICE TO BONDHOLDERS OF

Sekisui House, Ltd.

US$50,000,000

3 per cent Convertible Bonds due 1999 (the "Bonds")

Pursuant to Clause 7(B)(II) of the Trust Deed relating to the Bonds, notice is hereby given as follows:

On 25th April, 1991 the General Meeting of Shareholders of the Company resolved to distribute stock dividend of 0.07 shares of common stock of the Company ("Shares") per one Share held as at 31st January, 1991. New Shares were issued on 25th April, 1991.

As a result and pursuant to Condition 5(C)(I) of the Terms and Conditions of the Bonds the conversion price was adjusted from ¥598.20 to ¥559.10 per Share effective retroactively as from 1st February, 1991 (Japan time).

30th April, 1991

Sekisui House, Ltd.

U.S. $300,000,000

Woodside Financial Services Ltd.

(Incorporated in the State of Victoria)

Guaranteed Floating Rate Notes due July 1997

Unconditionally Guaranteed by

Australian Industry Development Corporation

In accordance with the terms and conditions of the Notes, notice is hereby given, that for the Interest Period from April 30, 1991 to July 31, 1991 the Notes will carry an Interest Rate of 6 3/16% per annum. The amount payable on July 31, 1991 will be U.S. $3,953.13 and U.S. $158.13 respectively for Notes in denominations of U.S. $250,000 and U.S. $10,000.

By: The Chase Manhattan Bank, N.A.
London, Agent Bank

April 30, 1991

CHASE

U.S. $500,000,000

CITICORP

(Incorporated in Delaware)

Subordinated Floating Rate Notes Due January 30, 1998

Notice is hereby given that the Rate of Interest has been fixed at 6.20% and that the interest payable on the relevant Interest Payment Date May 31, 1991 against Coupon No. 64 in respect of US$10,000 nominal of the Notes will be US$53.39.

April 30, 1991, London
By: Citibank, N.A. (CSSI Dept.), Agent Bank — CITIBANK

US$250,000,000 GUARANTEED FLOATING RATE SUBORDINATED CAPITAL NOTES DUE JANUARY 1997

CITICORP BANKING CORPORATION

(Incorporated in the State of Delaware)

Unconditionally guaranteed on a subordinated basis by

CITICORP

Notice is hereby given that the Rate of Interest has been fixed at 6.3125% and that the interest payable on the relevant Interest Payment Date July 31, 1991 against Coupon No. 26 in respect of US$10,000 nominal of the Notes will be US$161.32.

April 30, 1991, London
By: Citibank, N.A. (CSSI Dept.), Agent Bank — CITIBANK

US$400,000,000 GUARANTEED FLOATING RATE SUBORDINATED CAPITAL NOTES DUE OCTOBER 1996

CITICORP BANKING CORPORATION

(Incorporated in the State of Delaware)

Unconditionally guaranteed on a subordinated basis by

CITICORP

Notice is hereby given that the Rate of Interest has been fixed at 6.3125% and that the interest payable on the relevant Interest Payment Date July 31, 1991 against Coupon No. 27 in respect of US$10,000 nominal of the Notes will be US$161.32.

April 30, 1991, London
By: Citibank, N.A. (CSSI Dept.), Agent Bank — CITIBANK

INTERNATIONAL CAPITAL MARKETS

Bunds hold nerve after G-7 interest rate pressure

By Simon London in London and Patrick Harverson in New York

THE GERMAN government bond market showed resilience yesterday following calls for lower global interest rates from the weekend meeting of finance ministers of the Group of Seven industrialised countries.

The benchmark 9 per cent 10-year Bund closed yesterday at 103.86, for a yield of 8.39 per cent, against 8.41 per cent on Friday. On the London International Financial Futures Exchange, the long bund futures contract closed at 85.42, against 85.29 at Friday's close.

Although the G-7 statement contained a commitment to lower global interest rates in the longer term, there is no sign that the German authorities will ease monetary conditions. Indeed, figures released yesterday confirmed that inflationary pressures persist within the German economy.

Money supply data for March showed the M3 measure of broad money growing at a

GOVERNMENT BONDS

yearly rate of 4.4 per cent over the last quarter of 1990, for a year-on-year increase of 20.3 per cent over the first quarter last year.

Statistics also showed inflation rising in March by 0.5 per cent over February, for an annualised rate of 2.8 per cent, against 2.5 per cent last time.

Moreover, money market conditions remain tight. Yesterday German call money interest rates were only just below the 9 per cent Lombard rate, the Bundesbank emergency funding rate.

Hence the bund market will watch Thursday's Bundesbank council meeting in anticipation of higher, rather than lower, interest rates. Analysts will be watching industrial production and manufacturing orders figures this week for signs of overheating.

However, yesterday the Bundesbank signalled that it would supply short-term liquidity to the market at an unchanged fixed rate of 8.6 per cent at its regular repurchase operations today. This might indicate that any tightening of monetary conditions will be postponed beyond this week.

■ US GOVERNMENT bond prices eased slightly yesterday morning after a variety of economic data provided a mixed view of the state of the economy.

By midday the benchmark 30-year Treasury issue was down ⅛ at 96¾ to carry a yield of 8.206 per cent. The short end was also weaker, with the two-year note 1/16 down at 100⅝, to yield 6.881 per cent.

The 0.6 per cent gain in personal consumption for March created a stir. The rise was larger than analysts had been forecasting, and allied to a 0.2 per cent rise in personal income during the period suggested that the recovery in economic activity was gradually speeding up.

The market was also surprised by figures showing that new home sales increased 1 per cent in March, and by a revised 18.6 per cent in February. Both were above market expectations.

Any evidence of an economic upturn strengthens the hands of those at the Federal Reserve who see no need for a further interest rate cut, and who believe policy should be left unchanged to prevent an unwanted return of high inflation.

In the credit markets the Fed intervened to push the Fed funds rate back up to its target of 6 per cent with some overnight matched sale agreements. The operations, intended to drain reserves from the system, helped Fed funds firm from an opening 5¾ per cent to 5⅞ per cent.

■ UK GOVERNMENT bonds weakened slightly yesterday, continuing the upward correction in yields seen on Friday in the face of sterling's weakness on the foreign exchange markets.

The benchmark 11¾ per cent gilt maturing 2003/2007 closed down just 1/16 of a point on the day at 109⅝ for a yield of 10.258 per cent. The long gilt futures contract closed at 91.17, after opening at 91.20.

The market is focusing on Thursday's local government elections for pointers to the timing and outcome of a general election expected this year. The Confederation of British Industry industrial trends survey for March, released today, is expected to show a marginal upturn in business confidence and an improvement in forward indicators.

■ JAPANESE government bonds moved higher in London in lacklustre trading, with the Tokyo market closed for a public holiday. The benchmark government bond issue No 129 closed on a yield of 6.71 per cent, against 6.74 per cent on Friday.

Although trading is likely to remain thin for the rest of the week, analysts are watching for signs of the Bank of Japan's reaction to G-7 pressures for lower global interest rates.

■ THE DUTCH government raised Fl 1.6bn through tap sales of its 8.5 per cent bond due 2006 yesterday. The tap price was lowered to 99.40 from 99.55 on Friday, raising the yield by two basis points to 8.57 per cent.

The sales brought the total raised to Fl 3.6bn since the tap sale was opened last Thursday.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		13.500	09/92	103-29	+00/32	10.60	10.61	10.54
		9.000	03/00	93-09	+02/32	10.17	10.16	10.00
		9.000	10/08	92-18	+04/32	9.90	9.86	9.79
US TREASURY *		7.750	02/01	97-31	-01/32	8.05	8.11	8.05
		7.875	02/21	96-08	-01/32	8.21	8.26	8.25
JAPAN	No 119	4.800	6/99	87.9000	-0.021	6.75	7.11	7.00
	No 129	6.400	03/00	98.0200	-0.034	6.70	6.74	6.65
GERMANY		9.000	01/01	103.8900	+0.190	8.39	8.44	8.49
FRANCE	BTAN	9.000	02/96	99.8690	+0.324	9.01	9.10	9.18
	OAT	9.500	01/01	104.7400	+0.500	8.85	8.90	9.06
CANADA *		9.750	06/01	101.5500	+0.300	9.51	9.74	9.51
NETHERLANDS		8.500	03/01	99.2400	+0.070	8.61	8.63	8.72
AUSTRALIA		13.000	07/00	112.3500	+0.311	10.84	11.01	11.36

London closing. *denotes New York morning session
Yields: Local market standard. Prices: US, UK in 32nds, others in decimal
Technical Data/ATLAS Price Sources

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Monday, April 29, 1991. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	99.25	59.183	33.4456	43.0119
Albania	(Lek)	10.0193	5.9745	3.3763	4.342
Algeria	(Dinar)	29.6899	17.7041	10.005	12.8666
Andorra	(Fr Fr)	10.0025	5.9645	3.3706	4.3347
	(Sp Peseta)	182.35	108.736	61.449	79.0249
Angola	(Kwanza)	108.8680(1)	64.9183	36.6867	47.18
Antigua	(E Carr $)	4.5239	2.6976	1.5244	1.9605
Argentina	(Austral)	16518.00	9849.73	5566.3	7158.4
Aruba	(Florin)	2.9991	1.7883	1.0106	1.2997
Australia	(Aus $)	2.1485	1.2811	0.724	0.931
Austria	(Schilling)	20.945	12.4895	7.0581	9.0769
Azores	(Port Escudo)	256.10	152.713	86.3016	110.986
Bahamas	(Bahama $)	1.6770	1	0.5651	0.7267
Bahrain	(Dinar)	0.6260	0.3732	0.2109	0.2712
Balearic Is	(Sp Peseta)	182.35	108.736	61.449	79.0249
Bangladesh	(Taka)	57.00	33.9892	19.208	24.702
Barbados	(Barb $)	3.3699	2.0094	1.1356	1.4604
Belgium	(Belg Fr)	61.10	36.4341	20.5897	26.4788
Belize	(B $)	3.3510	1.9982	1.1292	1.4522
Benin	(CFA Fr)	500.15	298.241	168.543	216.75
Bermuda	(Bermudian $)	1.6770	1	0.5651	0.7267
Bhutan	(Ngultrum)	33.80	20.155	11.39	14.6478
Bolivia	(Boliviano)	5.9061	3.5218	1.9902	2.5595
Botswana	(Pula)	3.4138	2.0356	1.1503	1.4794
Brazil	(Cruzeiro)	434.10	258.855	146.285	188.126
Brunei	(Brunei $)	2.9780	1.7757	1.0035	1.2905
Bulgaria	(Lev)	39.87	23.7745	13.4355	17.2784
Burkina Faso	(CFA Fr)	500.15	298.241	168.543	216.75
Burma	(Kyat)	11.4572	6.8319	3.8608	4.9652
Burundi	(Burundi Fr)	303.95	181.246	102.426	131.723
Cambodia	(Riel)	770.73	459.589	259.724	334.011
Cameroon	(CFA Fr)	500.15	298.241	168.543	216.75
Canada	(Canadian $)	1.9315	1.1517	0.6508	0.837
Canary Is	(Sp Peseta)	182.35	108.736	61.449	79.0249
Cp. Verde	(CV Escudo)	120.7365	71.9955	40.6862	52.3235
Cayman Is	(CI $)	1.3907	0.8292	0.4686	0.6026
Cent. Afr. Rep	(CFA Fr)	500.15	298.241	168.543	216.75
Chad	(CFA Fr)	500.15	298.241	168.543	216.75
Chile	(Chilean Peso)	575.10	342.934	193.799	249.231
China	(Renminbi Yuan)	8.9329(4)	5.3267	3.0102	3.8712
Colombia	(Col Peso)	1007.75	600.924	339.596	436.728
Comoros	(CFA Fr)	500.15	298.241	168.543	216.75
Congo (Brazz)	(CFA Fr)	500.15	298.241	168.543	216.75
Costa Rica	(Colon)	198.4630	118.344	66.8788	86.0078
Côte d'Ivoire	(CFA Fr)	500.15	298.241	168.543	216.75
Cuba	(Cuban Peso)	1.3345	0.7957	0.4497	0.5783
Cyprus	(Cyprus £)	0.8030	0.4788	0.2705	0.3479
Czechoslovakia	(Koruna)	49.66c	29.6124	16.7346	21.5211
		51.49t	30.7036	17.3513	22.3141
Denmark	(Danish Kroner)	11.3575	6.7725	3.8272	4.9219
Djibouti Rep	(Djib Fr)	293.00	174.717	98.7363	126.977
Dominica	(E Carrib $)	4.5239	2.6976	1.5244	1.9605
Dominican Rep	(D Peso)	21.70	12.9397	7.3125	9.4041
Ecuador	(Sucre)	1748.50o	1042.64	589.217	757.746
		1647.00e	982.114	555.013	713.759
Egypt	(Egyptian £)	5.54	3.3035	1.8668	2.4008
El Salvador	(Colon)	13.3970	7.9886	4.5145	5.8058
Equat'l Guinea	(CFA Fr)	500.15	298.241	168.543	216.75
Ethiopia	(Ethiopian Birr)	3.4426	2.0528	1.1601	1.4919
Falkland Is	(Falk £)	1.00	0.5963	0.3369	0.4333
Faroe Is	(Danish Kroner)	11.3575	6.7725	3.8272	4.9219
Fiji Is	(Fiji $)	2.4875	1.4833	0.8382	1.078
Finland	(Markka)	6.8645	4.0933	2.3132	2.9748
France	(Fr)	10.0025	5.9645	3.3706	4.3347
Fr. Cty/Africa	(CFA Fr)	500.15	298.241	168.543	216.75
Fr. Guiana	(Local Fr)	10.0025	5.9645	3.3706	4.3347
Fr. Pacific Is	(CFP Fr)	178.00	106.142	59.9831	77.1397
Gabon	(CFA Fr)	500.15	298.241	168.543	216.75
Gambia	(Dalasi)	13.0555	7.785	4.3994	5.6578
Germany	(D-Mark)	2.9675	1.7695	1	1.286
Ghana	(Cedi)	608.55	362.88	205.072	263.727
Gibraltar	(Gib £)	1.00	0.5963	0.3369	0.4333
Greece	(Drachma)	319.80	190.698	107.767	138.592
Greenland	(Danish Krone)	11.3575	6.7725	3.8272	4.9219
Grenada	(E Carr $)	4.5239	2.6976	1.5244	1.9605
Guadaloupe	(Local Fr)	10.0025	5.9645	3.3706	4.3347
Guam	(US $)	1.6770	1	0.5651	0.7267
Guatemala	(Quetzal)	8.3620	4.9862	2.8178	3.6238
Guinea	(Fr)	1038.81a	619.445	350.062	450.189
		502.65e	299.732	169.385	217.833
Guinea-Bissau	(Peso)	1089.075	649.419	367.001	471.972
Guyana	(Guyanese $)	193.1014	115.147	65.072	83.6842
Haiti	(Goude)	8.3775	5	2.823	3.6305
Honduras	(Lempira)	9.2900	5.5396	3.1305	4.026
Hong Kong	(HK $)	13.0440	7.7781	4.3956	5.6528
Hungary	(Forint)	128.5510	76.6553	43.3196	55.71
Iceland	(Icelandic Krona)	103.35	61.6279	34.8272	44.7887
India	(Indian Rupee)	33.80	20.155	11.39	14.6478
Indonesia	(Rupiah)	3264.05	1946.36	1099.93	1414.54
Iran	(Rial)	120.70	71.9737	40.6739	52.3076
Iraq	(Iraqi Dinar)	0.5936	0.3539	0.2	0.2572
Irish Rep	(Punt)	1.1090	0.6612	0.3737	0.4806
Israel	(Shekel)	3.8300	2.2838	1.2906	1.6598
Italy ♦	(Lira)	2190.25	1306.05	738.079	949.187
Jamaica	(Jamaican $)	13.5725	8.0933	4.5737	5.8819
Japan	(Yen)	230.75	137.597	77.759	100
Jordan	(Jordanian Dinar)	1.1260	0.6714	0.3794	0.4879
Kenya	(Kenya Shilling)	46.3276	27.6252	15.6116	20.0769
Kiribati	(Australian $)	2.1485	1.2811	0.724	0.931
Korea North	(Won)	1.6252	0.9691	0.5476	0.7043
Korea South	(Won)	1217.50	725.999	410.278	527.627
Kuwait ♦	(Kuwaiti Dinar)				
Laos	(New Kip)	1172.85	699.374	395.232	508.277
Lebanon	(Lebanese £)	1566.5	934.109	527.885	678.873
Lesotho	(Maluti)	4.7090	2.8079	1.5868	2.0407
Liberia	(Liberian $)	1.6770	1	0.5651	0.7267
Libya	(Libyan Dinar)	0.4877	0.2908	0.1643	0.2113
Liechtenstein	(Swiss Fr)	2.4875	1.4833	0.8382	1.078
Luxembourg	(Lux Fr)	61.10	36.4341	20.5897	26.4788
Macao	(Pataca)	13.4985	8.0491	4.5487	5.8498
Madagascar	(MG Fr)	2946.00	1756.71	992.755	1276.71
Madeira	(Port Escudo)	256.10	152.713	86.3016	110.986
Malawi	(Kwacha)	4.7919	2.8574	1.6147	2.0766
Malaysia	(Ringgit)	4.6240	2.7573	1.5582	2.0039
Maldive Is	(Rufiya)	16.9309	10.0959	5.7054	7.3373
Mali Rep	(CFA Fr)	500.15	298.241	168.543	216.75
Malta	(Maltese £)	0.5630	0.3357	0.1897	0.2439
Martinique	(Local Fr)	10.0025	5.9645	3.3706	4.3347
Mauritania	(Ouguiya)	127.5558	76.0618	42.9842	55.2787
Mauritius	(Maur Rupee)	26.70	15.9212	8.9974	11.5709
Mexico	(Mexican Peso)	5004.05a	2983.93	1686.28	2168.6
		5013.00d	2989.27	1689.3	2172.48
Miquelon	(Local Fr)	10.0025	5.9645	3.3706	4.3347
Monaco	(French Fr)	10.0025	5.9645	3.3706	4.3347
Mongolia	(Tugrik)	5.6221	3.3524	1.8945	2.4364
Montserrat	(E Carr $)	4.5239	2.6976	1.5244	1.9605
Morocco	(Dirham)	14.7920	8.8205	4.9846	6.4104
Mozambique	(Metical)	2305.04	1374.5	776.762	998.934
Namibia	(S A Rand)	4.7090	2.8079	1.5868	2.0407
Nauru Is	(Australian $)	2.1485	1.2811	0.724	0.931
Nepal	(Nepalese Rupee)	53.6160	31.9713	18.0677	23.2355
Netherlands	(Guilder)	3.3400	1.9916	1.1255	1.4474
N'nd Antilles	(A/Guilder)	2.9991	1.7883	1.0106	1.2997
New Zealand	(NZ $)	2.8605	1.7057	0.9639	1.2396
Nicaragua	(Gold Cordoba)	8.3775	4.9955	2.823	3.6305
Niger Rep	(CFA Fr)	500.15	298.241	168.543	216.75
Nigeria	(Naira)	15.8335	9.4415	5.3356	6.8617
Norway	(Nor. Krone)	11.5675	6.8977	3.898	5.013
Oman	(Rial Omani)	0.6420	0.3828	0.2163	0.2782
Pakistan	(Pak. Rupee)	38.00	22.6595	12.8053	16.468
Panama	(Balboa)	1.6770	1	0.5651	0.7267
Papua New Guinea	(Kina)	1.5960	0.9516	0.5378	0.6916
Paraguay	(Guarani)	2217.75	1322.45	747.346	961.105
Peru	(New Sol)	1.1500	0.6857	0.3875	0.4983
Philippines	(Peso)	44.00	26.2373	14.8272	19.0682
Pitcairn Is	(£ Sterling)	1.00	0.5963	0.3369	0.4333
	(NZ $)	2.8605	1.7057	0.9639	1.2396
Poland	(Zloty)	16053.00	9572.45	5409.6	6956.88
Portugal	(Escudo)	256.10	152.713	86.3016	110.986
Puerto Rico	(US $)	1.6770	1	0.5651	0.7267
Qatar	(Riyal)	6.0715	3.6204	2.0459	2.6312
Reunion Is. de la	(F/Fr)	10.0025	5.9645	3.3706	4.3347
Romania	(Leu)	103.19(3)	61.5324	34.7733	44.7193
Rwanda	(Fr)	221.40	132.021	74.6082	95.9479
St Christopher	(E Carr $)	4.5239	2.6976	1.5244	1.9605
St Helena	(£)	1.00	0.5963	0.3369	0.4333
St Lucia	(E Carr $)	4.5239	2.6976	1.5244	1.9605
St Pierre	(French Fr)	10.0025	5.9645	3.3706	4.3347
St Vincent	(E Carr $)	4.5239	2.6976	1.5244	1.9605
San Marino	(Italian Lira)	2190.25	1306.05	738.079	949.187
Sao Tome	(Dobra)	252.498	150.565	85.0877	109.425
Saudi Arabia	(Riyal)	6.2558	3.7303	2.1081	2.711
Senegal	(CFA Fr)	500.15	298.241	168.543	216.75
Seychelles	(Rupee)	8.80	5.2474	2.9654	3.8136
Sierra Leone	(Leone)	375.00	223.614	126.369	162.514
Singapore	($)	2.9780	1.7757	1.0035	1.2905
Solomon Is	($)	4.5640	2.7215	1.5379	1.9778
Somali Rep	(Shilling)	4389.81	2617.66	1479.3	1902.41
South Africa	(Rand)	4.7090c	2.8079	1.5868	2.0407
		5.5900g	3.3333	1.8837	2.4225
Spain	(Peseta)	182.35	108.736	61.449	79.0249
Spanish Ports in N Africa	(Sp Peseta)	182.35	108.736	61.449	79.0249
Sri Lanka	(Rupee)	67.00	39.9522	22.5779	29.0357
Sudan Rep	(£)	7.5398o	4.496	2.5407	3.2675
		19.1845g	11.4397	6.4648	8.3139
Surinam	(Guilder)	2.9908	1.7834	1.0078	1.2961
Swaziland	(Lilangeni)	4.7090	2.8079	1.5868	2.0407
Sweden	(Krona)	10.5575	6.2954	3.5577	4.5752
Switzerland	(Fr)	2.4875	1.4833	0.8382	1.078
Syria	(£)	35.1855	20.9812	11.8569	15.2483
Taiwan	($)	42.90	25.5813	14.4566	18.5915
Tanzania	(Shilling)	339.3725	202.369	114.363	147.074
Thailand	(Baht)	42.00	25.0447	14.1533	18.2015
Togo Rep	(CFA Fr)	500.15	298.241	168.543	216.75
Tonga Is	(Pa Anga)	2.1485	1.2811	0.724	0.931
Trinidad/Tobago	($)	7.1209	4.2462	2.3996	3.0859
Tunisia	(Dinar)	1.6437	0.9801	0.5539	0.7123
Turkey	(Lira)	6597.30(2)	3933.99	2223.18	2859.07
Turks & Caicos	(US $)	1.6770	1	0.5651	0.7267
Tuvalu	(Australian $)	2.1485	1.2811	0.724	0.931
Uganda	(New Shilling)	1097.92	654.693	369.981	475.805
U A E	(Dirham)	6.1260	3.6529	2.0643	2.6548
United Kingdom	(£)	1.00	0.5963	0.3369	0.4333
United States	(US $)	1.6770	1	0.5651	0.7267
Uruguay	(Peso)	3093.25	1844.51	1042.38	1340.52
USSR	(Rouble)	1.0185o	0.6073	0.3432	0.4413
		3.0555c	1.822	1.0296	1.3241
Vanuatu	(Vatu)	185.00	110.316	62.342	80.1733
Vatican	(Lira)	2190.25	1306.05	738.079	949.187
Venezuela	(Bolivar)	91.6500	54.6511	30.8845	39.7183
Vietnam	(Dong)	13236.45	7892.93	4460.47	5736.27
Virgin Is-British	(US $)	1.6770	1	0.5651	0.7267
Virgin Is-US	(US $)	1.6770	1	0.5651	0.7267
Western Samoa	(Tala)	3.8955	2.3228	1.3127	1.6881
Yemen	(Rial)	20.1898	12.0392	6.8036	8.7496
Yemen PDR	(Dinar)	0.7724	0.4605	0.2602	0.3347
Yugoslavia	(Dinar)	38.7540(5)	23.1091	13.0594	16.7947
Zaire Rep	(Zaire)	6405.00	3819.32	2158.38	2775.73
Zambia	(Kwacha)	93.4091	55.7001	31.4773	40.4806
Zimbabwe	($)	5.0391	3.0048	1.698	2.1837

Special Drawing Rights April 26, 1991 United Kingdom £0.789816 United States $1.33400 Germany D Mark 2.33543 Japan Yen183.892
European Currency Unit Rates April 29, 1991 United Kingdom £0.695008 United States $1.16449 Germany D Mark 2.06347 Japan Yen161.246

Abbreviations: (a) Free rate; (b) Banknote rate; (c) Commercial rate; (d) Controlled rate; (e) Essential imports; (g) Financial rate; (h) Exports; (i) Non commercial rate; (j) Business rate; (k) Buying rate; (l) Luxury goods; (m) Market rate; (n) Public transaction rate; (o) Official rate; (p) preferential rate; (q) convertible rate; (r) parallel rate; (s) Selling rate; (t) Tourist rate (u) Currencies fixed against the US Dollar;

Some data supplied by Bank of America, Economics Department, London Trading Centre. Enquiries: 071 634 4360/5.

Monday April 29, 1991. ♦ Correction: Rates for the Italian Lire on 22.04.91 should have been, against Sterling 2206.50, US Dollar 1303.69, D-Mark 737.96, Yen 934.958. ♦Kuwaiti Dinar unavailable (1) Angola Kwanza devalued to 60 to the US Dollar, March 18. (2) Turkey revalued by 14%, March 26, (3) Romanian Leu devalued by 42%, April 8. (4) China Yuan devalued by 0.95%, April 10. (5) Yugoslav Dinar devalued 31%, April 19.

Slow business wipes out swap opportunities

By Tracy Corrigan

BUSINESS in both the secondary and primary markets was subdued yesterday. Eurodollar bond prices lagged price gains in a firmer US Treasury market, causing spreads to widen a little.

Consequently, the swap opportunities which prompted a spate of short-dated issuance last week have now disappeared.

Nevertheless, Crédit Local, the French financial institution, was able to add a further $150m to its $200m three-year deal launched last Tuesday. A Crédit Local official said the proceeds from the extra $150m, swapped into floating-rate dollars, would be used to refinance an outstanding issue of medium-term notes.

After a slow start last week, the spread on the Crédit Local deal expanded from a launch level of 47 basis points to more than 50 basis points over the comparable Treasury. The wider spread brought in buyers and the deal then sold quickly, benefiting from its top credit rating, and from being launched ahead of three other short-dated deals brought last week. The new tranche was launched at a 52 basis point spread.

In the lira market, a unit of Volkswagen raised L150bn of four-year bonds, via Banca Commerciale Italiana. The bonds are expected to be placed mainly with German investors, both institutional and retail. Although Volkswagen is unrated, it is considered a top credit by German investors in particular.

INTERNATIONAL BONDS

The deal was quoted at 100.3, ⅛ point with full fees of 1⅞ points. The proceeds of the issue were swapped into floating-rate dollars.

Few new issues are expected to be launched this week, with Japan shut for Golden Week and most of Europe closing down on Wednesday for May Day.

● Staatsbank, the former East German central bank, raised a further DM4bn in equal two- and five-year tranches. The notes pay interest at the three-month Frankfurt interbank offered rate. The lead manager is Bayerische Vereinsbank, with an international syndicate.

Both tranches were quoted within full fees.

First Boston junk bond fund to be relaunched

By Tracy Corrigan

FIRST BOSTON Asset Management is having another try at marketing its Total Returns junk bond fund to European investors, in the hope that changes in economic and market conditions since last summer will have boosted investor interest in the sector.

The fund, initially planned to total $250m, closed at $51m last September. At the time, fund managers were putting off investment decisions, as they focused on the Gulf crisis and the decline of the US economy.

However, since then, the premises on which the First Boston fund were based have largely been proved correct. The highly-leveraged US companies such as RJR Nabisco, which issued high-yield or junk bonds in the 1980s, are now in the process of deleveraging themselves. Companies which bought back shares in the 1980s are now issuing equity again.

Whether companies buy back bonds, issue equity to fund repurchases of bonds or swap bonds for equity, holders of such bonds are set to benefit.

The First Boston fund focuses on higher-quality paper, usually trading at between 60 per cent and 100 per cent of its par value.

The strategy differs from bankruptcy funds, such as Goldman Sachs' fund, which target heavily-discounted paper and aim to become involved in the restructuring of the company.

Mr Richard Lindquist, high-yield portfolio manager, said the market offers an opportunity for investors which will last only a few years, as companies achieve a greater balance between debt and equity.

The First Boston fund, which has another 18 months to run, will close in May. Mr Lindquist said the fund hopes to raise a further $50m to $100m. He said a much larger fund would be difficult to manage, because the $220bn junk bond market has lost much of its liquidity, since the demise of specialist firm Drexel Burnham Lambert early last year.

Campeau units ready with outline of restructuring

By Robert Gibbens in Montreal

CAMPEAU Corp's two US retailing units, Federated Department Stores and Allied Stores, say they are ready to offer a reorganisation to pay off US$7.7bn in debt and move out of Chapter 11 bankruptcy protection.

Acquisition of Federated three years ago for more than US$6bn and an enormous junk bond financing, combined with a deep retail recession, brought down Campeau Corp and cost Mr Robert Campeau, the Canadian entrepreneur, his control.

The two US store groups were expected to outline how much 50,000 creditors could expect to receive in cash, stock or bonds. Then they will vote onthe plan. Both groups sought protection from creditors in January 1990. Together, they have 140 stores in 17 states, including Bloomingdale's, and 100,000 employees. Both have restructured operations under new managements and have suggested they might try public stock offers to help re-finance their debts.

But trade and other creditors and holders of Allied and Federated bonds may object to the plan. Allied bondholders want to be paid US$1bn before approving any re-organisation.

The price of money in the real world

Sara Webb examines how finance directors make the choice between debt and equity

Debt or equity – how does the finance director of a large company decide how to raise money?

One consideration is the cost of financing.

According to business school theory based on work by the Nobel Prize winners Professor Franco Modigliani and Professor Merton Miller, the cost of financing is similar whether with debt or equity. In other words, it should not matter to company finance directors whether they choose one or the other.

In practice, however, corporate financiers argue that the costs of equity and debt are not the same and that a variety of factors apart from cost estimates can influence how a company raises money.

The cost of debt is easy to measure – it is the interest rate paid by a company on its bank loan or bond. If a company decides today to issue a 20-year bond it will have to pay about 2 percentage points over the yield on a similar-dated gilt, so the cost would be about 12 per cent.

However, unlike the cost of debt, which is fixed at the date of issue, the cost of equity varies. If the cost of equity is the dividend yield, the current cost of raising equity is about 5 per cent, which is cheaper than the cost of debt.

But because investing in equity is riskier, investors usually require a higher return from equity. So, while a company could choose to minimise the cost of equity by keeping the dividend low, such a strategy would prove unpopular with shareholders who want their investments to outpace inflation and expect dividends to increase: hence one would expect the cost of raising equity to increase over time.

Tax treatment can also affect the cost of financing. With debt, interest payments are tax-deductible. With equity, advance corporation tax paid by a company on dividends may be offset against the corporate tax liability, although companies with a high proportion of overseas earnings are at a disadvantage as they cannot receive the full tax relief.

Professors Franco Modigliani and Merton Miller

However, even though the result is to reduce the cost of debt, most company directors and corporate financiers deny that the tax consideration is important enough to influence a financing decision.

For every director who can cite the corporate finance theory learned at business school, there are half a dozen who eschew the theory and cite their own reasons for preferring one form of financing over another

If theory suggests that the cost of debt and equity are the same, why have so many UK companies announced rights issues in recent weeks? Professor Elroy Dimson of the London Business School points out that other factors influence a company's decision to use one form of financing over another.

The flood of rights issues is a clear sign that many companies feel overburdened with debt and want to strengthen their balance sheets. Companies such as Tesco, the food retailer, and Redland, the building materials group, recently raised money through rights issues as neither company wished to increase its level of gearing. Added to this, institutions have been flush with cash and hungry for equities in which to invest – and the surge in the UK stock market, coinciding with the results season, has provided a good opportunity for companies to issue shares.

Redland raised £280m through its rights issue to fund acquisitions in those countries suffering from recession.

"The key issue faced by any finance director is whether to fund the company with debt or equity, and that depends on the risk profile, in other words the gearing and interest cover," said Mr Gerald Corbett, Redland finance director.

Gearing is the ratio of debt to equity, while interest cover is the number of times the fixed-interest payments made by a company to service its loan capital are exceeded by earnings. Redland prefers its gearing to be below 40 per cent – and it is now 34 per cent. The optimum level of gearing is subjective.

Institutional shareholders – who typically in the UK have quite a high proportion of their investments placed in equity rather than in bonds – are often uncomfortable with gearing of more than 50 per cent.

Mr David Morgan, investment director at M&G, warns that investors must pay close attention to gearing levels particularly if the company concerned is in a cyclical business.

Different funding strategies are not mutually exclusive, but can be dictated by the options available, according to Mr Tony Rice, finance director at British Aerospace.

For example, a company may prefer to use a UK rights issue to fund a UK acquisition, but if it wants to make an overseas acquisition, it may match currencies and use a foreign currency bond.

BAe recently raised £150m of 18-year sterling bonds, but this does not preclude it from making a rights issue later on, says Mr Rice. The cost of the bond issue – of 12 per cent before tax, or 7.8 per cent after tax – is "tolerable," he says, and the inverse yield curve means that long-dated paper is cheaper than short-dated paper.

However, the fact that the government and utilities companies may be borrowing at the long end of the market convinced Mr Rice that "it was better to move sooner rather than later" in case demand from institutions for long-dated corporate paper dried up.

For every director who can cite the corporate finance theory learned at business school, there are half a dozen who eschew the theory and cite their own reasons for preferring one form of financing over another.

In the words of one corporate financier: "Even if raising money through equity were more expensive it does not mean you don't do it – we live in the real world and in the real world companies are judged by their shareholders and by the people who lend them money, not by their economic models."

China approves Shenzhen exchange rules

CHINA has approved rules governing the Shenzhen Stock Exchange in Guangdong province. They come into effect in May, the official China Daily newspaper said, Reuter reports from Peking.

"The regulations would cover the requirements for companies to go public, stock trading rules, administrative measures, and penalties for violations of the regulations," the newspaper said.

Shenzhen's stock market in 1990 had 1.76bn yuan ($334m) in transactions. About 200m yuan worth of stocks changed hands in the first quarter of this year.

So far five Shenzhen companies have gone public. The market, just across the Hong Kong border, opened in 1987.

● Mongolia enacts its first banking law this week, giving its banks more power to determine policy on currency and credit, the official New China News Agency said, Reuter reports from Peking.

The law, approved by the Mongolian parliament's powerful lower house, the Small Hural, takes effect tomorrow.

The law gives the central bank authority to issue currency and implement policy on currency and credit.

"The bank will ensure the stability and face value of the national currency [the tugrik], introduce a unified policy on interest rates, organise accounting practices among banks and supervise the activities of special banks," the agency said.

Volvo to quit Finnish SE

VOLVO, the Swedish vehicle group, announced yesterday that it intended to stop trading on the Finnish Stock Exchange because of the sharp rise in the costs of listing in Helsinki, writes Robert Taylor in Stockholm.

The company pointed out that Finland's bourse required an annual fee of SKr225,000 ($37,000).

This makes it by far the most expensive foreign exchange among the 15 exchanges throughout the 10 countries where the Volvo share is listed.

Volvo added that by contrast the London Stock Exchange required an annual fee of SKr46,000.

The company added that in London more than 11m Volvo shares were traded last year, compared with 200,000 shares in Helsinki.

"The cost is not in sensible proportion to the volume of trading," pointed out Mr Hans Renstrom, company spokesman.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

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EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Monday April 29 1991 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1991 to date	Fri Apr 26 Index No.	Thu Apr 25 Index No.	Wed Apr 24 Index No.	Year ago (approx) Index No.
1 CAPITAL GOODS (187)	846.55	+0.7	11.19	5.72	10.97	14.65	840.49	842.48	847.17	813.49
2 Building Materials (24)	1083.38	+1.0	10.80	5.72	11.37	20.95	1073.12	1081.05	1074.34	989.61
3 Contracting, Construction (31)	1316.89	-0.2	10.19	6.10	12.89	28.94	1319.20	1338.47	1346.10	1279.21
4 Electricals (10)	2356.80	+1.3	11.16	5.68	11.41	40.46	2327.22	2322.55	2339.41	2320.14
5 Electronics (26)	1811.90	+0.7	8.64	4.92	15.42	4.09	1800.06	1801.73	1806.69	1717.35
6 Engineering-Aerospace (8)	444.22	+0.3	15.73	5.64	7.65	10.60	442.76	447.09	451.39	444.61
7 Engineering-General (47)	450.59	+0.3	12.42	5.83	9.69	8.07	449.23	450.55	455.22	448.31
8 Metals and Metal Forming (8)	466.70	+0.7	19.54	7.39	6.32	0.59	463.65	467.24	472.14	459.60
9 Motors (13)	350.51	+2.0	12.22	6.82	9.67	9.89	343.67	340.36	347.21	333.92
10 Other Industrial Materials (20)	1518.14	+0.8	9.28	5.35	12.70	31.60	1505.85	1498.28	1510.53	1485.47
21 CONSUMER GROUP (185)	1452.72	+0.8	8.36	3.68	14.72	12.84	1440.78	1445.80	1449.17	1151.43
22 Brewers and Distillers (22)	1784.54	+1.1	9.01	3.63	13.67	14.86	1765.53	1770.61	1772.33	1373.28
25 Food Manufacturing (20)	1182.33	+0.4	9.51	4.12	12.99	15.95	1178.03	1185.37	1184.93	1001.05
26 Food Retailing (16)	2710.49	+0.5	8.12	2.88	16.10	16.72	2698.26	2706.80	2695.73	2188.04
27 Health and Household (21)	3259.33	+1.4	5.87	2.59	19.42	20.81	3215.62	3217.71	3235.55	2385.03
29 Hotels and Leisure (22)	1339.38	+0.7	10.20	5.16	11.56	17.30	1329.99	1343.26	1344.90	1266.85
30 Media (24)	1459.46	+0.7	9.57	4.71	13.10	20.96	1449.96	1448.55	1456.52	0.00
31 Packaging, Paper & Printing (16)	665.78	+0.4	8.33	4.95	15.01	11.81	662.97	666.20	672.04	534.25
34 Stores (34)	918.47	+0.6	9.14	3.94	14.18	3.42	912.69	918.66	921.95	696.89
35 Textiles (11)	532.00	+0.2	10.01	6.06	12.59	8.01	531.05	528.55	528.69	447.50
40 OTHER GROUPS (108)	1212.79	+1.2	9.92	4.98	12.35	10.01	1198.93	1203.54	1205.60	1059.71
41 Business Services (13)	1201.47	+1.2	11.18	4.97	10.95	11.45	1187.50	1192.84	1197.15	0.00
42 Chemicals (21)	1273.78	+1.2	9.15	5.62	12.55	24.59	1259.26	1267.85	1266.57	1149.10
43 Conglomerates (10)	1567.05	+2.3	10.70	6.56	11.17	13.24	1531.20	1538.97	1544.04	1480.08
44 Transport (14)	2175.69	+1.3	11.32	4.75	10.91	26.91	2148.18	2153.53	2168.17	2093.96
45 Electricity (14)	1163.19	....	11.92	5.74	10.51	0.00	1163.29	1174.37	1175.78	0.00
46 Telephone Networks (4)	1449.43	+0.8	9.17	3.45	14.19	0.00	1437.37	1446.25	1440.64	1019.16
47 Water (10)	2439.66	+1.2	13.90	5.74	8.04	39.69	2411.31	2373.85	2406.66	1837.84
48 Miscellaneous (22)	1874.47	+1.3	6.43	4.98	19.75	21.46	1849.67	1852.06	1860.13	1705.56
49 INDUSTRIAL GROUP (481)	1231.00	+0.9	9.43	4.51	13.02	12.75	1219.88	1224.00	1227.41	1051.74
51 Oil & Gas (19)	2462.52	+0.9	10.22	5.41	12.75	40.03	2439.68	2450.68	2455.94	2111.34
59 500 SHARE INDEX (500)	1334.66	+0.9	9.54	4.63	12.98	14.90	1322.56	1327.22	1330.80	1140.35
61 FINANCIAL GROUP (97)	812.74	+0.6	–	5.80	–	17.76	807.65	814.31	817.99	735.74
62 Banks (9)	906.04	+0.6	8.18	6.06	17.65	21.93	900.21	909.92	914.45	769.17
65 Insurance (Life) (7)	1500.15	+0.9	–	5.52	–	41.64	1486.81	1485.31	1486.85	1232.29
66 Insurance (Composite) (6)	674.08	+1.2	–	6.51	–	20.23	666.03	672.13	675.24	622.62
67 Insurance (Brokers) (8)	1124.08	-0.4	7.04	5.98	18.50	21.24	1128.54	1137.36	1154.31	1034.84
68 Merchant Banks (7)	423.49	....	–	4.78	–	4.47	423.53	423.36	423.97	403.22
69 Property (40)	998.09	+0.4	6.40	4.69	21.51	7.83	993.64	1006.21	1010.71	1056.62
70 Other Financial (20)	290.39	-0.2	9.47	6.22	13.00	4.41	290.93	291.28	291.94	291.32
71 Investment Trusts (69)	1209.29	+0.6	–	3.43	–	12.42	1202.52	1205.50	1202.98	1113.92
99 ALL-SHARE INDEX (666)	1207.77	+0.9	–	4.76	–	15.23	1197.40	1202.36	1205.74	1043.16

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Apr 26	Apr 25	Apr 24	Apr 23	Apr 22	Year ago
FT-SE 100 SHARE INDEX♦	2498.2	+26.9	2499.9	2468.7	2471.3	2482.1	2488.6	2503.8	2490.8	2103.4

FIXED INTEREST

PRICE INDICES	Mon Apr 29	Day's change %	Fri Apr 26	Accrued interest	xd adj. 1991 to date
British Government					
1 Up to 5 years (28)	120.91	+0.03	120.87	1.94	3.79
2 5-15 years (30)	130.36	+0.03	130.33	1.51	5.15
3 Over 15 years (8)	138.61	+0.13	138.42	2.19	4.05
4 Irredeemables (6)	150.69	+0.03	150.65	-0.07	6.11
5 All stocks (72)	129.71	+0.04	129.66	1.72	4.66
Index-Linked					
6 Up to 5 years (1)	158.05	-0.05	158.12	-0.15	2.72
7 Over 5 years (10)	146.72	-0.09	146.86	0.65	1.52
8 All stocks (11)	147.59	-0.09	147.73	0.63	1.56
9 Debs & Loans (54)	109.68	+0.12	110.37	2.09	3.47

AVERAGE GROSS REDEMPTION YIELDS		Mon Apr 29	Fri Apr 26	Year ago (approx.)
British Government				
1 Low	5 years	9.21	9.25	12.18
2 Coupons	15 years	9.72	9.71	11.94
3 (0%-7¾%)	20 years	9.84	9.82	11.89
4 Medium	5 years	10.31	10.31	13.55
5 Coupons	15 years	10.13	10.14	12.44
6 (8%-10¾%)	20 years	10.08	10.09	12.16
7 High	5 years	10.46	10.45	13.65
8 Coupons	15 years	10.32	10.32	12.75
9 (11%-)	20 years	10.27	10.27	12.47
10 Irredeemables		10.04	10.04	11.83
Index-Linked				
11 Inflation rate 5%	Up to 5yrs.	3.83	3.80	4.97
12 Inflation rate 5%	Over 5 yrs.	4.13	4.12	4.31
13 Inflation rate 10%	Up to 5 yrs.	2.96	2.93	3.95
14 Inflation rate 10%	Over 5 yrs.	3.94	3.93	4.13
15 Debs &	5 years	11.87	11.87	16.70
16 Loans	15 years	11.64	11.64	14.44
17	25 years	11.43	11.43	13.82

♦Opening index 2468.7; 9 am 2482.1; 10 am 2485.9; 11 am 2487.8; Noon 2494.4; 1 pm 2494.6; 2 pm 2498.2; 2.30 pm 2498.8; 3 pm 2499.0; 4.10 pm 2497.0; (a) 2.52pm (b) 8.30am † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL. The FT-ACTUARIES SHARE INDICES SERVICE includes details of the information used in the construction of these indices. These are available by subscription from FINSTAT, 071-925 2323.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	19	31	34
Corporations, Dominion and Foreign Bonds	2	6	12
Industrials	403	221	913
Financial and Properties	185	86	470
Oils	30	15	47
Plantations	0	0	10
Mines	44	36	82
Others	69	33	65
Totals	752	428	1,633

LONDON RECENT ISSUES

EQUITIES

Issue Price	Am'nt Paid up	Latest Renunc. Date	1991 High	1991 Low	Stock	Closing Price	+or -	Net Div	Times Cov'd	Gross Yield	P/E Ratio
†	F.P.	–	61	56	Aberdeen Trust 10p	57		2.5	1.8	5.8	12.9
†	F.P.	–	38	26	Do. A Warrants 10p	37	-1	–	–	–	–
100	F.P.	–	109	104	Contra-Cyclical Inc 1p	108		–	–	–	–
50	F.P.	–	56	54¼	Do. Zero Div. Prf. 50p	55¼		–	–	–	–
25	F.P.	–	27	22½	Do. Capital	27		–	–	–	–
100	F.P.	–	103	100	Drayton Blue Chip Tst.	103		–	–	–	–
100	F.P.	–	106½	105	Do. Zero Prf. £1	106		–	–	–	–
65	F.P.	–	65	65	EFM Income Tst.	65		–	–	–	–
35	F.P.	–	37½	37½	Do. Zero Div. Prf.	37½		–	–	–	–
†	F.P.	–	40	35	Far Eastern Res.	39		–	–	–	–
100	F.P.	–	106	104	Geared Income Inv. Tst.	106		–	–	–	–
§230	F.P.	–	245	225	Greencore Ir£1	228	-7	ø06%	5.9	1.8	9.7
§100	F.P.	–	123	116	Headline Book Publ'g. 10p	122		12.5	2.8	2.7	17.6
–	F.P.	–	9	6	MMI Warrants	8½		–	–	–	–

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

[illegible]

LONDON TRADED OPTIONS

[illegible]

TRADITIONAL OPTIONS

● First Dealings April 22
● Last Dealings May 3
● Last Declarations July 25
● For settlement August 5

For rate indications see end of London Share Service

Calls in ADT, Allied Partnership, Bellwinch, Budgens, Cullens, Expl. Co Louisiana, FJC Lilley, Marina Devs., Oliver Res., Premier Cons., Prospect Inds., Trimoco, Tuskar Res. and Western Mining. Puts in Stakis.

Moss Bros trimmed 42% at £2.4m

By Jane Fuller

MOSS BROS Group, the menswear retailer and hirer, saw pre-tax profit for the 12 months to January 26 fall by 42 per cent to £2.38m after a sharp reversal in interest income and property profits.

The comparative figure of £4.09m for the year to January 27 1990 had been helped by an exceptional profit of £810,000 on the sale of a central London property.

A £5m tax payment on a 1988 property sale – of a Covent Garden site which netted £21m – halved interest received during the year to £768,000 (£1.49m).

Mr Rowland Gee, managing director, said those two factors accounted for about £1.5m of the £1.7m fall in pre-tax profit. Operating profit declined by 11 per cent to £1.68m (£1.89m).

Turnover advanced by 7 per cent to £54.76m (£51.11m). The company opened a net five stores, bringing the total to 98 covering 150,000 (140,000) sq ft.

Mr Gee said a further 10,000 sq ft of planned expansion was shelved until conditions improved.

He claimed the company's share of the men's suit market had risen from 5 to 5.5 per cent as 1,500 menswear shops had closed during the year.

Most of the expansion had come from the Suit Co shops, in the mainstream division, where sales rose by just over 19 per cent to £22.2m (£18.6m).

The more up-market Savoy Taylors Guild chain – the classic division – grew to about £17m (£16.1m).

Mr Gee said it had been affected by what Austin Reed described last week as the white-collar recession in the south-east of England.

Cecil Gee, the fashion division and the only one of the three chains not to include a suit hire service, inched ahead to £13.7m (£13.5m).

Costs had, however, been hit by rent reviews where Mr Gee said the Next expansion of the late 1980s had pushed up the "rental evidence".

Another adverse factor was the uniform business rate, where increases had often been 30 per cent.

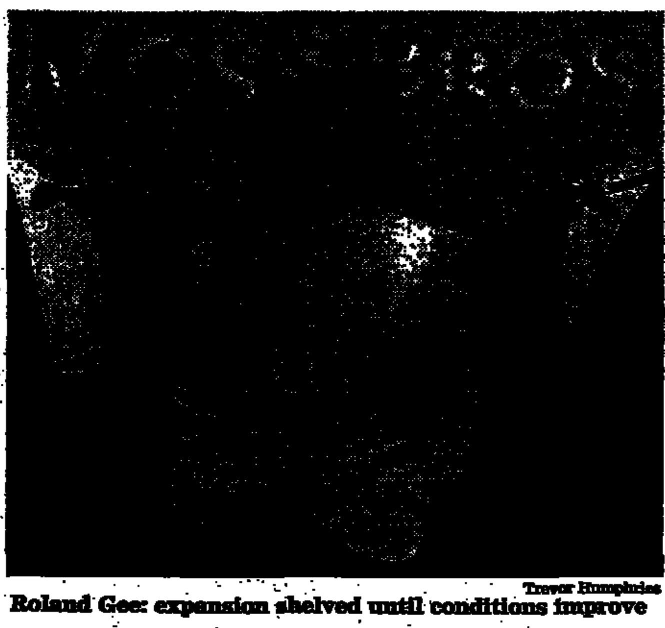
Payroll costs had been controlled, partly because they were sales and profit related. "Staff will accept a reduction in numbers more readily if they are paid on commission," he said.

Net cash held on January 26 amounted to £9m (£14m). Capital spending had fallen to £3.3m (£5m) and would be down again this year.

Earnings per share fell to 9.43p, compared with 16.35p including property profit and 13.11p without it.

The final dividend is held at 3.5p to give an unchanged total of 5p.

The Moss and Gee families hold 49 per cent of the equity.



Trevor Humphries

Roland Gee: expansion shelved until conditions improve

Corporate side buoys Wensum

By Michiyo Nakamoto

THE RESILIENCE of its corporate clothing business helped Wensum, the clothing company, report a 17 per cent rise, from £635,000 to £746,000, in annual pre-tax profits.

The improvement for the year to January 26 1991 came on turnover of £8.36m (£7.58m) which included a 33 per cent sales increase in its corporate wear division.

This side of the business was not subject to the same degree of slowdown seen on the retail side, said Mr Andrew Hughes, chairman.

Operating profit in the corporate clothing business was up to £472,000 (£311,000). Although deemed satisfactory, results for the clothing side were not as buoyant. Turnover was up by 9 per cent to £5.33m and operating profit by 7 per cent to £490,000 (£458,000).

Gearing was reduced from 36 per cent to 13 per cent.

Earnings per share rose 13 per cent to 6.62p (5.85p) and a final dividend of 2.35p is recommended, making a total of 3.5p. The company was floated in July 1989.

Warringtons shares suspended pending finance statement

By Clare Pearson

SHARES IN Warringtons were suspended at 17¾p yesterday morning pending clarification of the commercial property company's financial position.

Alfred McAlpine, the construction group which last week announced a 1-for-2 rights issue and which owns 37 per cent of Warringtons' ordinary shares, immediately said that it had made full provision against the investment in its 1990 accounts.

Warringtons' announcement comes some two months after it had first revealed it was attempting to refinance its business. Executives at the company were not available for comment yesterday.

In February's statement, Warringtons said the marked decline in the UK property market together with high interest rates had had a considerable effect both on the capital value of its developments and its ability to dispose of them.

In its 1990 accounts, McAlpine made a £20m below-the-line provision against its investment in the company. The shares were obtained when it injected its property activities into Warringtons in June 1988. Later it also acquired £9.5m worth of preference shares in the company.

Warringtons has not reported results since June last year, when it announced a 26 per cent rise, from £1.08m to £1.3m, in pre-tax profits for the half year to March 31.

The shares, down from 66p in April last year, hit a low of 7p on the statement two months ago.

The company expanded rapidly into property development and away from contracting after new management led by Mr Graeme Jackson, chairman and chief executive, took over early in 1987.

As at September 1989, before it expanded further partly by acquiring more properties from McAlpine, net assets per share stood at 100p. Shareholders' funds then totalled £28m. The company had £26.13m worth of secured short-term bank loans and overdrafts, and some £8m-worth of long-term bank and mortgage loans. Midland is its principal banker.

Mayflower back in black

THE Mayflower Corporation, which disposed of its Tri-ang toy interests last September, yesterday reported a swing from losses of £1.1m to profits of £449,000 pre-tax for 1990.

Profits of £639,000 were achieved in the second half. At the year-end all group companies were trading profitably.

Sales for the 12 months totalled £13.77m (£16.3m) – the group has interests in manufacturing, marketing, life assurance and pensions.

The results benefited from lower interest charges of £205,000 (£420,000) and exceptional income of £102,000 (provisions £747,000).

Earnings worked through at 1.56p (losses 8.45p). Extraordinary charges of £1.85m (£286,000) related mainly to the disposal of Tri-ang Leisure.

Bundaberg Sugar attacks value of Tate & Lyle bid

By Kevin Brown in Sydney

DIRECTORS OF Bundaberg Sugar, Australia's third largest raw sugar producer, claimed yesterday that Tate & Lyle's hostile takeover bid was pitched at least 44 Australian cents a share too low.

In the defence document, they said Bundaberg's shares had been valued by Macquarie Bank at between A$4.54 and A$5.16, valuing the company at between A$354m (£165m) and A$402m.

Tate's offer – recently-increased from A$3.70 to A$4.10 per share – values Bundaberg at A$321m.

Macquarie said it was inappropriate to value a commodity stock like Bundaberg on the basis of a weak point in the commodity price cycle, and claimed Tate had undervalued the strategic advantage it would gain from Bundaberg's milling and refining capacity.

The bank's report concluded that the implied value being offered for Bundaberg's core milling and refining businesses was less than the prices paid in comparable international acquisitions in the sweeteners industry, and in Australian agricultural and food industry takeovers.

In particular, Macquarie said the offer was not in line with prices paid by CSR, the Australian sugar and building materials group, for Pioneer Sugar in 1987, and by Tate & Lyle for Redpath and Amstar in the US.

Mr Roy Diecke, Bundaberg chairman, said shareholders should reject Tate's offer because it undervalued the company and was an opportunistic attempt to take advantage of the weakness of the world sugar market.

He said Tate had not given shareholders "the whole story" in its offer document, and claimed Tate had quoted sugar prices selectively to play down Bundaberg's performance over the last decade.

"The profitability of the company will follow the sugar price cycle, but the company has progressed through difficult times in the past," Mr Diecke said.

Mr Geoff Mitchell, managing director, said Bundaberg had outperformed the Consumer Prices Index and the index of Australia's 50 most traded shares since its formation in 1972. Mr Paul Keating, the federal treasurer (finance minister) signed an order yesterday giving the Foreign Investment Review Board another 90 days to decide whether to approve Tate's bid if it is accepted by shareholders.

The bid has prompted strong local opposition in Queensland, where Bundaberg is based, but neither the federal government nor the board have given any indication of their likely response.

Bundaberg's shares closed at A$3.85 on the Australian Stock Exchange yesterday. The shares were A$3.52 immediately before Tate launched its bid.

Deceleration at Bletchley Motor

Increased interest charges of £1.43m, against £1m, pushed pre-tax profits at Bletchley Motor Group, the garage, vehicle and contract hire company, down by 12 per cent to £623,000 for 1990. Turnover was ahead 17 per cent at £55.9m. A final dividend of 3.75p makes a 7.85p (7.5p) total.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres-ponding dividend	Total for year	Total last year
Lowland Inv ......int	2.75	June 21	2.5	-	7.75
Moss Bros ......fin	3.5	June 26	3.5	5	5
Wensum § ......fin	2.35	July 2	1.9‡	3.5	1.9‡

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. ‡For seven months.

Boosting the spirits of a shaken giant

Philip Rawstorne examines measures being taken to rebuild confidence in the £4bn Allied-Lyons group

ALLIED-LYONS, the UK drinks and food group, has discovered that six months can be a long time in business as well as in politics.

Last October, brewing industry analysts were hailing the emergence of a more active management style and the prospect of accelerating growth from the group's array of spirit brands, pub property, and food.

That view was apparently confirmed with the announcement in January that Sir Derrick Holden-Brown, chairman, and Mr Richard Martin, chief executive, would retire next year to make way for a new management team headed by Mr Michael Jackaman, vice-chairman and head of the group's spirits division.

Then last month came the confidence-shattering blow of a £150m loss on foreign exchange dealings.

Mr Clifford Hatch, the finance director, took responsibility for the weak management controls that the loss implied, and resigned: and it now seems likely that both Sir Derrick, doyen of the brewing industry, and Mr Martin will soon follow.

Allied aims to sort out its top management problems within the next two weeks.

If any further stimulus to rapid action is necessary, it comes from the renewed rumblings of a threatened takeover bid.

Of the possible predators, only Hanson would appear to have the current resources to make a bid for a group of Allied's size.

Its market capitalisation is £4bn; but brokers Barclays de Zoete Wedd estimate that the company's assets are worth £11 per share – or more than twice as much – on the open market.

Against those assets, BZW calculates that the effects of the management problems should be short-term and minimal while the long-term potential of the group remains considerable.

The £150m foreign exchange loss is expected to reduce pre-tax profits for the year ended February 28 1991 by 15 per cent to £478m. Group debt – nearly £2bn at the half-year end last September – will be reduced by less than forecast. Gearing, which had been expected to come down from 80 per cent to 60 per cent is likely to remain about 70 per cent.

That may impose some constraints this year, but most analysts are predicting a strong resumption of growth, with pre-tax profits in 1991-92 rising to £690m.

Allied has suffered to some extent from the market's focus on its traditional brewing operations rather than its emergence during the past five years as one of the world's leading spirits companies.

It was a £1.8bn bid from Elders, now Fosters Brewing, that triggered Allied's acquisition in 1986 of the Canadian spirits business, Hiram Walker, and put it on the international map.

The group then consolidated its position with the £545m purchase of Whitbread's spirits operations in late 1989.

More than half the group's profits now come from its spirits divisions – "and this is the major attraction of Allied's shares," says Mr John Wakely, analyst at Shearson Lehman.

It has taken time to bed down the acquisitions but management is now tightly focused on markets, distribution – including a joint venture with Suntory, the Japanese drinks giant – and realising brand potential as consumers worldwide drink less but drink better.

Ballantine's, its top-selling Scotch whisky, has achieved rapid growth in Europe and Japan and makes an estimated profit of £82m a year.

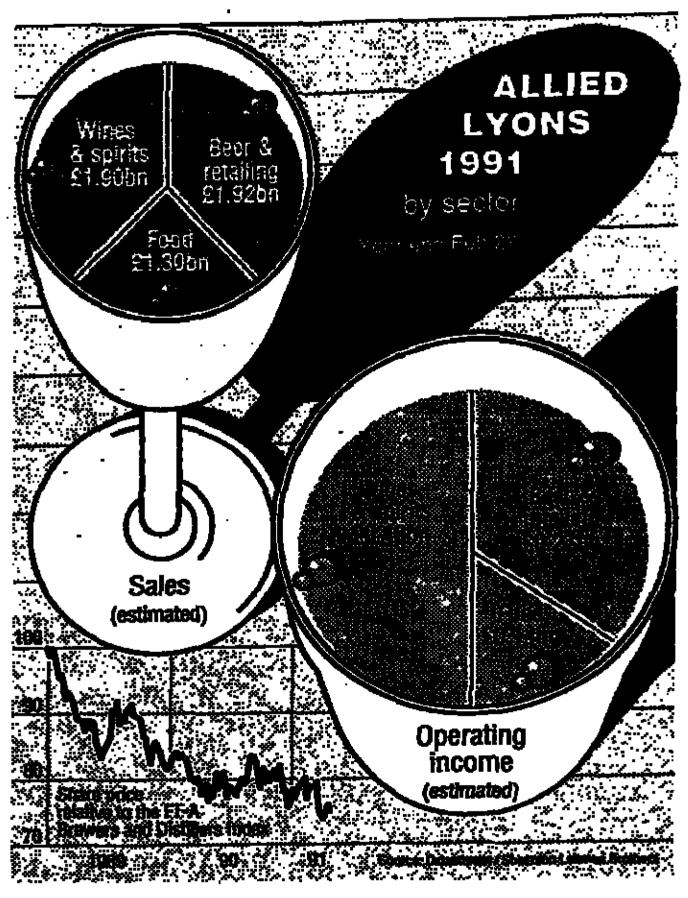
Courvoisier last year recorded a bigger sales growth than any other cognac. Kahlua, one of the world's best-selling liqueurs, contributes some £75m a year in profits; Canadian Club is the third-largest Canadian whisky brand; Beefeater, the fourth-ranked gin brand.

"The international brands are as good as those of Guinness," says Mr Wakely. "And eventually, Allied is going to make as much of them as Guinness does. I believe they will be contributing 60 per cent of the group's profits by the mid-1990s."

Within the UK, however, it is still Allied's brewing business that seems to command more attention.

The group is widely regarded – by Mr Peter Lilley, secretary for industry, among others – as having been slow to react to the changes being forced upon the industry by the Monopolies and Mergers Commission.

Uncertainty persists about its intention to remain in both brewing and pub retailing.



It has held abortive talks with Whitbread about a merger of their brewing interests. Rumours are rife about its interest in acquiring both breweries and pubs from Brent Walker. It has tried to buy the European rights to the Castlemaine lager that it brews under licence in the UK.

The government's beer orders will force it to free 2,400 of its pubs from tied beer supplies if it remains in brewing in November 1992. So far, it has sold just over 500 and leased another 300. It plans to lease most of the remainder, but its disposal programme is running behind that of Bass, for instance.

On the other hand, Allied has improved its beer market share to about 15 per cent through a supply agreement with Greenall Whitley, and it does have a strong portfolio of brands, including Tetley's, the UK's best-selling ale.

Its pub assets may not yet be fully utilised but there is general agreement that the regionally-managed estate includes many well-sited pubs whose potential is being developed with a shift towards food and premium drinks.

Brewing and pub retailing contributes about 30 per cent of Allied's profits.

The J Lyons food business, which contributes 17 per cent of group profits, has tended to be dismissed because of its focus on mature markets such as tea.

But the operations were subjected to an intensive strategic review in 1989 and have been reorganised under Mr Tony Hales, now one of the front-runners for the post of chief executive. Allied disposed of its UK cereals and US frozen food businesses, and has focused on four sectors: franchising, beverages, bakery and ingredients.

Its franchising activities include Baskin Robbins, the world's leading ice cream store operation, and Dunkin' Donuts, the US doughnut chain which it acquired 18 months ago for £196m.

Tea provides 75 per cent of the profits of the beverages sector. Tetley is a £100m grocery brand in the UK, which makes it bigger than Kelloggs corn flakes or Heinz baked beans. Market share is increasing following the introduction of round tea bags in mid-1989.

Here, as in its other operations, there is evidence that Allied was developing, if sometimes slowly, a sound sense of direction and purpose before the unexpected shock of the foreign exchange losses.

If management can recover its poise, the potential remains to be unlocked and the progress of recent years resumed.

COMPANY NEWS IN BRIEF

CENTURY OILS: Increased offer from Fuchs (UK) declared unconditional and remains open until further notice.

CLARKSON (HORACE) is acquiring ABCC Holdings, holding company for Adam Brothers Contingency, for £1.3m to be satisfied by the issue of 628,019 shares. ABCC reported a loss of £110,000 for 1990.

DAVIS (GODFREY) is seeking to change its name to Davis Service Group.

HARTSTONE GROUP: Acceptances of its 1-for-1 rights issue have been received in respect of 96.4 per cent of the shares on offer.

LAPORTE is to expand its business in printed wiring board chemicals into south east Asia via the purchase of Taipei-based Taiwan Spechem for $4m (£2.39m).

MICRO FOCUS has purchased the source code and complete rights to CICSVS86, a CICS application development and testing environment, from Innovative Solutions for $3m (£1.77m) cash.

NO PROBES: The acquisitions of Pergamon Press by Elsevier and Camford Engineering by Hoechst are not to be referred to the Monopolies and Mergers Commission.

PENTOS has bought The Economists Bookshops, which operates six shops on higher education campuses in London, for £650,000 cash plus stock at valuation.

RADIO CLYDE'S offer for Radio Forth, which is not to be referred to the Monopolies and Mergers Commission, has been declared unconditional following acceptances in respect of 99 per cent of the ordinary shares.

REDLAND said there were acceptances received in respect of 53.19m shares in recent rights (94.59 per cent).

RPS GROUP, USM-quoted environmental consultancy, has taken over Edinburgh and Belfast-based WJ Cairns and Partners.

SENIOR ENGINEERING has expanded its Spanish heat treatment operations with the purchase of Metalografica del Centro, 75 per cent of Metalografica de Aragon and the outstanding minority holding of Industrias Traterh.

TOMORROWS LEISURE is seeking authority to buy-in up to about 15 per cent of its shares.

TRIBUNE NEWSPAPERS: Rights issue raised £972,884 before expenses. It was over-subscribed and some applications were scaled back.

UNITED PROVINCIAL Newspapers, a subsidiary of United Newspapers, is seeking offers for its Scottish regional newspaper business based in Greenock, Paisley and north of the Clyde. UPN is not committed to a sale but is prepared to sell at the right price. Withdrawal from Scotland will enable UPN to concentrate on geographical areas where opportunities for growth are greater.

WAGON INDUSTRIAL Holdings has acquired from the receivers certain assets of Bruce Engineers, a subsidiary of CH Industrials. Bruce makes pressed parts, manipulated roll sections and fabrications for the motor industry. Value of assets is £425,000.

Phoenix Timber plans to sell importing business

PHOENIX TIMBER, the Essex-based timber products group, is to sell its timber importing business in order to cut its £10m borrowings and concentrate on Protim Services, its property services subsidiary.

The decision – announced after the Stock Exchange closed last night – was taken "in view of continuing losses incurred in the company's timber importing activities and the deteriorating prospects for the construction industry", said Mr Peter Quinn, chairman.

The group is due to announce its results for the year ended March 31 in early June. They will show that its trading position has deteriorated.

Mr Quinn warned of an increased deficit in the second half, but expected full year losses not to exceed £2.5m pre-tax.

The group reported a pre-tax profit of £656,000 (£1.42m) for the year to March 31 1990, but four months later announced that the construction downturn was forcing it to close its joinery subsidiary based in Stoke on Trent.

For the six months to end-September Phoenix ran up a taxable loss of £379,000 compared to the previous year's profit of £479,000.

The share price closed unchanged at 39p.

Correction
Vickers

A total of 1,049 Rolls-Royce and Bentley cars were sold in the first quarter of 1990, and not in the first three months of this year, as stated in the Financial Times of April 26.

UK COMPANY NEWS

TR High Income joins the rights issue bandwagon

By Philip Coggan, Personal Finance Editor

TR HIGH Income Trust yesterday became the latest investment trust to join the rights issue bandwagon with a £9.1m offer.

The issue is the first rights offer ever made by a trust managed by Touche Remnant. The High Income Trust, which was launched in November 1989, was specifically targeted at private investors, who currently own about 75 per cent of the equity.

The attraction of income-bearing shares, particularly allied to the tax advantages of a Personal Equity Plan, means that the trust has regularly been able to trade at a premium to net assets.

There are two classes of shares in the trust, ordinary and subscription. The latter can be converted into ordinary shares at 100p and are also entitled to a dividend of 1.5p.

Shareholders are being offered one new ordinary share for every two ordinary and/or subscription shares they currently hold and one new subscription share for every 10 ordinary and/or subscription shares they own. The issue is being underwritten by Credit Lyonnais Laing.

The ordinary shares are offered at 100p and the subscription shares at 27p each, compared with an estimated net asset value per ordinary share of 101p.

Directors said they intend to pay further interim dividends of 1.4p for July 31, October 31 and January 31 1992. The ordinary shares closed 4p lower at 106p and the subscription shares fell 2p to 30p.

Two more directors resign from Next

By John Thornhill

TWO MORE directors have resigned from the board of Next, the fashion retailing group which recently sold its Grattan mail order business to stave off financial ruin.

Mr Brian Marber, a non-executive director who runs his own foreign exchange consultancy, resigned because of his "other business commitments".

However, no explanation was provided for the resignation of Mr John Roberts, the director listed in the company's annual report as being responsible for retail and property services.

A short statement from the company said Mr Roberts would remain with the company for two years in an advisory capacity.

The departures follow the resignation of Mr Peter Lomas, finance director, earlier this month. Mr Lomas is to become Grattan's finance and computer services director.

Following their departure the Next board will be left with two executive directors and four non-executive directors.

AB Electronic sells Page offshoots to reduce gearing

By Andrew Bolger

AB ELECTRONIC Products, the Welsh electronic components manufacturer, has sold its aerospace and defence subsidiaries, Page Engineering (Holdings) and Page Aerospace, to reduce gearing and concentrate on its core business.

Both Page companies, based at Sunbury-on-Thames, have been bought for £6.25m by a consortium led by Lloyds Development Capital which includes the existing management.

Earlier this month AB passed its interim dividend after announcing a pre-tax loss of £2.02m for the six months to December, compared with profits of £5.35m last time. It also said group debt had increased to £39m, representing 90 per cent of shareholders' funds.

Page, which employs about 260 people, made pre-tax profits of £1.7m in the year to June 30 1990 on turnover of £12.1m. Pro-forma net assets at that date were £6.35m.

Sir Peter Phillips, AB chairman, said: "Page's markets have little overlap with the rest of the group. The board believed that the business should be sold and the proceeds redeployed to assist the redevelopment of AB's core business."

Mr Peter Brooks, investment director of Lloyds Development Capital, said: "Despite the current risks in the aerospace sector, we believe, in the long term, Page offers an attractive investment. It has prudent sales forecasts, positive cash flow, solid forward order books and a strong experienced management team."

PPP to launch life subsidiary

By Richard Lapper

PRIVATE PATIENTS Plan, the second largest UK medical insurer behind Bupa, is planning to launch a life insurance company, PPP Lifetime, in 1992, in a bid to increase its share of the market for private medical insurance and long-term care.

Six million people – about 12 per cent of the population – are currently covered by private health care schemes. With 885,000 subscribers (or policyholders) PPP provides cover for 1.8m people.

The high cost of medical insurance premiums is one of the factors holding up the market's growth. The fact that subscribers must pay higher premiums as they get older has been a particular disincentive.

PPP's life subsidiary will offer schemes designed to confront this difficulty by funding the increased cost of future premiums, smoothing the cost of medical insurance over an individual's life.

Mr Roy Forman, chief executive of PPP, also hopes to offer means of funding possibly expensive long-term residential and nursing care in later life.

PPP announced the new development when reporting that its premium income had grown by 19 per cent during 1990 to reach £355m, yielding a surplus of £16m, 63 per cent more than in 1989. The underwriting surplus amounted to £5.8m. Operating expenses rose by only 4 per cent per subscriber. Although reserves were hit by the fall in equity markets, they remained at £173m, a drop of 4 per cent, allowing the solvency margin to remain strong at 52 per cent.

BOARD MEETINGS

TODAY

Interim- Gencor (UK).

Finals- Addison Consultancy, Blackland Oil, Eyeged Bardon, Futura, Greenacre, Laser-Scan, March, S & U Stores.

FUTURE DATES

Interims-	
API	May 9
Drayton Asia Trust	May 1
Scottish Cities Inv Tst	May 1
Tomkinsons	May 16
Vaux	May 14
Finals-	
Black (A&C)	May 1
City of London PR	May 28
City of Oxford Inv Trust	May 8
Inch Kenneth Kajang	May 6
Leigh Interests	June 5
Lendu	May 3
Usher-Walker	May 1
Warnford Invs	May 2
York Waterworks	May 22

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on [illegible]: Pool purchase price £/MWh	Pool Prices for Trading on [illegible]: Pool purchase price £/MWh	Pool selling price £/MWh
0030	16.09	16.27	16.27
0100	16.08	16.25	16.25
0130	16.18	17.08	17.08
0200	19.12	23.32	24.50
0230	19.12	23.32	24.48
0300	16.28	23.32	24.48
0330	16.20	23.32	24.48
0400	16.16	16.70	16.70
0430	16.09	16.29	16.29
0500	16.09	16.27	16.27
0530	16.09	16.23	16.23
0600	16.08	16.16	16.16
0630	16.09	16.27	16.27
0700	17.80	17.08	17.08
0730	20.91	19.34	20.49
0800	23.65	18.72	19.81
0830	23.70	23.40	24.65
0900	23.75	23.40	24.64
0930	23.72	23.41	24.62
1000	23.66	23.41	24.65
1030	23.61	23.40	24.65
1100	23.60	23.40	24.56
1130	23.66	23.40	24.57
1200	23.69	22.29	23.48
1230	23.65	21.79	22.92
1300	23.55	21.49	22.61
1330	23.44	20.77	21.87
1400	23.23	20.25	21.35
1430	20.90	19.91	21.00
1500	20.90	19.91	21.00
1530	20.90	19.91	21.00
1600	22.83	19.91	21.00
1630	23.46	23.73	24.81
1700	23.47	23.73	24.80
1730	23.47	23.73	24.80
1800	23.48	23.73	24.81
1830	22.20	19.34	20.42
1900	20.54	19.34	20.42
1930	20.31	18.63	18.63
2000	20.31	19.34	20.42
2030	20.15	23.43	24.60
2100	24.22	23.43	24.60
2130	24.22	23.43	24.61
2200	24.20	23.40	24.62
2230	24.23	19.34	20.41
2300	19.68	18.60	18.60
2330	19.19	18.26	18.26
2400	16.88	16.22	16.22

Prices are determined for every half-hour of each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg [illegible] becomes 1.688p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The provisional Pool Purchase Price is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Final pool prices are also capable of revision.

NGC Settlements Limited

UK COMPANY NEWS

Fisons division moves into Europe with £10m buy

By Clive Cookson

FISONS, the pharmaceutical, scientific equipment and horticulture group, has bought the horticultural business of DSM, the Dutch chemical company, for £10m cash.

The business, DSM Agro Specialties, includes a variety of marketing and production units in the Netherlands and Belgium. Combined sales are believed to about £10m a year withoperating profits of £1m a year.

The acquistion will increase the size of Fisons Horticulture, the smallest of the group's three divisions, by about 10 per cent and will take it into new geographical territory.

At present it operates mainly in the UK and North America. Apart from a small operation in France, it has not been represented in continental Europe.

The deal represents something of a change of heart by Fisons, which used to have a 50 per cent stake in Asef, part of DSM Agro Specialties. Fisons sold out to DSM in December 1988.

Asef is the leader in the Dutch amateur gardening market. DSM Agro Specialties includes other professional and amateur horticulture businesses and a liquid fertiliser plant at Geleen in the Netherlands.

Trevor Humphries

John Kerridge: chairman and chief executive

C&J Clark weathers high street slump with rise to £31.5m

By Michiyo Nakamoto

C&J CLARK, the largest shoe manufacturer in the UK and one of the country's six largest private companies, weathered the high street retailing slump to post a rise in pre-tax profits last year to £31.52m compared with a previous £30.32m.

The higher profits, which came on an increase in turnover to £605.79m (£599.93m), was attributed by the company to a retail-led marketing strategy it has recently adopted.

Profits from the core footwear manufacturing and retailing businesses, including Clarks Shoes, K Shoes and Ravel, improved by over 50 per cent.

The company had previously tended to separate manufacturing and retail activities. However, three years ago it started to let retailing considerations take the lead, which resulted in more interesting shoes in the shops and prices that were more in line with what customers were willing to pay, it said.

Replacing the former shop names of new shops with the Clark's name had improved business significantly and the group's new shops in the UK were strong contributors to profits.

The group was less fortunate in its US operations, where the strong dollar made it difficult to export there.

Exports comprise 10 to 15 per cent of overall sales. It also has quite a substantial amount of dollar-denominated capital tied up in the US business which becomes negative when converted into sterling, it said.

Property profits also made a lower contribution of £8m last year compared with £13m in 1989.

The buy-in of its shares cost the group £40m last year, which pushed up borrowings "but not to an uncomfortable extent," the group said.

Earnings per share were maintained at 23.8p.

NEWS DIGEST

Slingsby slips back to £495,500

TAXABLE PROFITS of HC Slingsby, the West Yorkshire-based manufacturer of trucks, ladders and ancillary equipment, dipped from £505,054 to £495,503 over 1990.

The result included higher interest received of £54,000 (£45,000). It was achieved on sales totalling £11.11m, a near-7 per cent improvement on the previous year's £10.39m.

After tax of £166,000 (£156,000) earnings per share emerged at 33p (34.9p) and a recommended same-again final dividend of 5.5p keeps the total at 7.5p.

Static year for Expedier

Expedier, the USM-quoted group which provides services to the sporting, entertainment and exhibition industries, came through 1990 with taxable profits virtually static at £1.27m.

The outcome compared with the previous year's £1.25m, and was struck from turnover ahead £6.47m at £17.03m.

It included only a six months' contribution from Space-Time Systems (Holdings), which was acquired in June 1990, and took account of exceptional provisions of £417,000 (credits £189,000) and interest charges of £760,000 (£84,000).

A final dividend of 0.5p makes a 1p (nil) total. Earnings per share emerged at 3p (5.7p).

Year-end gearing amounted to 80 per cent. The directors' objective is to reduce borrowings via internal cash flow and continuing sales of non-core assets.

Lowland Investment net assets dip

Net asset value per share of the Lowland Investment Company amounted to 202.5p at March 31 taking prior charges at par, compared with 205.6p a year earlier. At market value, the figure stood at 203.7p against 207.4p.

Attributable revenue for the half year to the end of March totalled £935,000 (£872,000). The interim dividend is lifted from 2.5p to 2.75p from earnings of 3.98p (3.71p).

The board expect to at least maintain the final dividend – 5.25p was paid previously.

JO Walker tumbles £36,000 into the red

JO Walker, the Leicester-based timber importer and building materials group, fell £36,342 into the red at the pre-tax level in 1990 compared with profits of £56,298 in 1989. The deficit at half year was £22,000.

Losses per share amounted to 3.8p (earnings 5p) after a tax credit of £6,081 (£16,260 charge). However, an unchanged final dividend of 2p is proposed for a 2p (4p) total.

Turnover was slightly lower at £15.09m (£15.69m).

Net assets lower at Fleming Universal

Net asset value of Fleming Universal Investment Trust stood at 233.7p at March 31 1991 compared with 276.6p a year earlier. At the half year the figure was 216.9p.

Gross revenue for the year came to £4.9m (£3.6m) and net available revenue rose from £1.56m to £2.26m for earnings per share of 3.45p (2.4p). Directors recommended an unchanged final dividend of 2.2p, maintaining the total at 2.8p.

Usborne hit by exceptionals

Profits of Usborne, the agriculture, property and motor products group, fell from £2.43m to £1.63m pre-tax over 1990.

Turnover expanded from £136.21m to £210.26m. Profits were struck after taking account of a swing from exceptional credits of £879,000 to debits of £172,000.

Tax took £531,000 (£626,000) and extraordinary items £648,000 (£873,000). Earnings amounted to 1.68p (2.77p) per share and an unchanged final dividend of 1p makes a same-again 1.5p.

New Frontiers net assets edge ahead

Net asset value of New Frontiers Development Trust stood at 64.2p as at March 31, down from 86.6p a year earlier, but showing a rise of 4.2 per cent since the trust's September year-end figure of 61.6p.

Net revenue for the six months to end-March dipped to £442,000 (£620,000). Earnings per share worked through at 0.44p (0.62p).

Associate losses hit London Finance

Losses by associates left London Finance & Investment Group with 1990 pre-tax profits of £318,100, against £1.4m.

The tax charge of £378,200, against £691,800, resulted in a fall from profits of £712,800 into net losses of £44,900.

A charge of of £7.01m for writing down the company's investment in Barplats Investments was taken as an extraordinary item. Net assets per share at the end of the period were 33.21p against 77.84p 12 months previously.

Losses per share came out at 0.6p (3.19p earnings). A reduced single payment of 0.75p (1.3p) is proposed.

TR Far East Income net asset value down

Net asset value at TR Far East Income Trust fell by 0.5 per cent to 84.6p per share over the six months to February 28 1991, compared with a rise of 8.6 per cent in the FT-A Pacific Basin Sterling Index including Japan.

Sharply lower dealing profits pushed earnings down to 2.6p per share, 51 per cent lower than the 5.3p for the previous half year.

There is a second interim dividend of 1p and it remains the board's intention to declare a total distribution for the year of at least last year's 4p.

FT LAW REPORTS

No breach of contract damages for berthing delay

WORLD NAVIGATION
Court of Appeal (Lord Justice Parker, Lord Justice Staughton and Sir David Croom-Johnson): April 12 1991

DAMAGES FOR breach of contract are assessed on the basis of what is required to put the plaintiff in the same position as if there had been no breach and the defendants had performed their obligations in the way they were contractually entitled to perform them, not as if there had been no breach and they had performed their obligations in the way they did in fact perform them. Accordingly, where cargo sellers delay the vessel's berthing for loading, but load within the sale contract time at a faster rate than the contractual minimum, the buyers cannot claim on the basis that loading would probably have been at that faster rate had there been no delay, and that the vessel would therefore have been freed earlier thus diminishing their demurrage costs.

The Court of Appeal so held when allowing an appeal by Roplack Enterprises SA, sellers of maize shipped on World Navigation, from Mr Justice Phillips's decision in favour of the claimant buyers, Kurt A Becher gmbH, on their appeal from the Board of Appeal of the Grain and Feed Trade Association (Gafta).

LORD JUSTICE PARKER said that three contracts for the sale of maize provided for shipment by instalments in April, May and June 1985. The quantity to be shipped in June was 12,000 tonnes.

Each contract was on Gafta 64 terms and Argentine Centro terms.

Clause 7 of Gafta 64 provided that the vessel should load "in accordance with the custom at port of loading unless otherwise stipulated".

The Centro clauses provided that buyers should give 15 days' notice of readiness to load; and that once the vessel was berthed "sellers guarantee... a minimum average loading rate of 500 tonnes per weather working day, Sundays, holidays and Saturday afternoons excepted".

On May 24 1985 the buyers nominated World Navigation to load the June portion.

She reached Zona Comun on June 13 and tendered readiness to load.

She would have berthed on June 25 had the shippers' loading documentation been in order. It was not. She was bypassed by other vessels next in line, and did not berth until July 18.

Between July 18 and July 22 she loaded 24,000 tonnes, including the 12,000-tonne June portion.

The buyers claimed the sellers were in breach of contract in not having the goods ready to load. They contended that damages consisted in demurrage they had had to pay under the charterparty by which they had provided the vessel.

The sellers disputed the claim. They said they were not in breach of any obligation and even if they were, the buyers had suffered no damage, because if the vessel had kept her turn on June 25 they would have had 48 days to load the 24,000 tonnes, and loading had been completed within that time. Alternatively, to load the 12,000 tonnes they had 24 days, and had completed in time.

Arbitrators upheld the buyers' claim.

The Gafta Board of Appeal allowed an appeal on the ground that the vessel used less than 18 days laytime, whereas the contract allowed 24 days. Mr Justice Phillips allowed the buyers' appeal and remitted the award to the Board of Appeal for reconsideration in the light of his judgement. The sellers now appealed.

Assuming that the sellers were in breach of contract in not having the necessary documentation to enable the vessel to keep her turn on June 25, the first question was what was their obligation with regard to rate of loading once she had berthed?

The buyers contended that although the Centro clause provided for a minimum average of 500 tonnes per weather working day, the Gafta obligation was to load according to the custom of the port. They said port custom might be to load by a method which would produce a faster rate.

Mr Justice Phillips rightly rejected that contention.

The Gafta provision was that the vessel was to load in accordance with port custom "unless otherwise stipulated". The Centro clause did otherwise stipulate.

Under that clause the buyer would not be in breach if he maintained an average of at least 500 tonnes a day.

Accordingly, the sellers were entitled, once the vessel was in berth, to take up to 48 counting days to load the complete cargo, or 24 counting days to load the three contracts.

Assuming again that the sellers were in breach in not having the documentation ready, the next question was on what basis should damages be assessed?

The buyers contended that, given that the vessel was delayed by the breach, the proper course was to consider what would probably have happened had there been no breach.

If the probability was that she would have loaded at the same rate as she actually did unload, they were entitled to damages because, but for the breach, the vessel would have been free and demurrage would have ceased to accrue by July 1.

Their damage, argued the buyers, was the demurrage incurred between July 1 and July 22 when the vessel was finally free. What they claimed was the value of the lost chance of freeing the vessel earlier.

The sellers contended that no damage had been suffered because, had the vessel berthed on June 26, they would not have been obliged to complete loading and free the vessel any earlier than they did.

In *Lavarack v Woods [1967] 1 QB 278* Lord Denning MR in minority said that a wrongfully dismissed servant was entitled to bonuses he might reasonably have expected to receive, because the employer had deprived him of the chance of receiving them.

He said "he is entitled to compensation for the loss of the chance", even though he had no legal right to receive the bonuses.

The majority would have none of that. Lord Diplock said: "The law is concerned with legal obligations only... not with expectations, however reasonable."

The buyers relied on *Paula Lee v Robert Zehil [1983] 2 All ER 390,397,393* where the defendants wrongfully repudiated a contract to buy 16,000 garments each season from the plaintiff dress manufacturer. The plaintiff contended that damages should be assessed on the average of all his garments. Mr Justice Mustill concluded that damages should be assessed in terms of such reasonable selection of garments as would "yield the lowest price".

Earlier, however, he said that inquiry into the plaintiff's actual position in face of the breach and his position if the contract had been performed, involved "identification of the promise, followed by a valuation of its promised worth to the promisee". He said each part of the inquiry might involve considering a choice which would have been open to the promisor.

Mr Justice Phillips identified the broken obligation as a single discrete obligation to procure appropriate loading documents. He said the inquiry concerned valuation.

He said that when assessing damages the board must ask how long loading would have taken had World Navigator berthed promptly; and that the question was to be answered, not by assuming that the sellers would have loaded at the slowest permissible rate, but by considering all factors that would have been likely to influence their conduct.

The judge was right that the breach was of a single discrete obligation. One must, however, consider the consequences to the buyers of the breach and what was required to put them in the same position as if it had not occurred.

In that event laytime would have begun to run on June 26. The sellers' obligation would have been to load in the number of counting days under the Centro terms, but no more.

They did so. Despite the breach the buyers got that to which they would have been entitled had there been no breach.

To accept the buyers' contention would be to make the sellers pay damages for failing to do that which they were not obliged to do.

In the light of those conclusions it was unnecessary to decide the extent of the sellers' obligation to enable the vessel to reach berth.

The appeal was allowed. The award of the Board of Appeal was affirmed. Their Lordships gave concurring judgements.

For the buyers: Martin Moore-Bick QC and Geraldine Clark (Richards Butler).

For the sellers: David Johnson QC and Mark Havelock-Allan (Sinclair Roche & Temperley).

Rachel Davies
Barrister

COMMODITIES AND AGRICULTURE

New York markets decide today on future facilities

By Barbara Durr in Chicago

NEW YORK'S five commodities exchanges are to decide today whether they will move together to a new, larger trading floor or go separate ways.

The choices are to remain together in New York at a new site or separate, with the New York Mercantile Exchange (Nymex), the largest exchange, moving across the Hudson River to New Jersey.

Proposals for both locations were presented several months ago and the New York siting was overwhelmingly favoured. But the Nymex, the prosperous energy exchange and the third largest US exchange after the two Chicago markets, chose to re-examine the possibility of a New Jersey proposal before finally making a commitment to New York.

The reasons for Nymex backing away from the joint move are unclear. Many speculate, however, that at bottom it is because of poor relations between Mr Lou Guttman, the chairman of Nymex, and Mr Martin Greenberg, the chairman of the New York Commodities Exchange (Comex).

Long-running merger talks between the two exchanges were once again scuttled at the beginning of the year.

A petrochemical plant which the Soviet authorities hope will produce more than 30m tonnes of oil a year began production early this month, according to the Communist Party paper Pravda yesterday, writes John Lloyd in Moscow.

The output of well KTL-1 in the Tengiz complex near the Caspian sea is 3m tonnes a year, with a second well ready to go into production soon.

The plant will also produce 460,000 tonnes of sulphur a year, replacing present imports.

The New York exchanges are due to sign a letter of intent today with New York on the deal, and Nymex's board was scheduled to decide the issue at a special meeting that began yesterday and was expected to perhaps last through the night into today.

The New York proposal is for a $260m project, of which New York City would provide $145m, with $100m of that in cash. Besides Nymex and Comex, which is principally a metals market, the other three exchanges involved in the deal are the Coffee, Sugar and Cocoa Exchanges, the New York Cotton Exchange and the New York Futures Exchange.

The relocation decision is expected to have a big impact not only on the exchanges themselves, but on the futures commissions merchants (FCMs) who do their business there.

The FCMs do not want to have to divide their staffs and duplicate their costs in two facilities. The Futures Industry Association (FIA), which represents the FCMs, says it strongly supports a unified relocation in the city of New York.

It also would like to see the consolidation of clearing and processing to increase cost savings for the FCMs.

The FIA, which represents 80 per cent of all futures and options activity on US exchanges, is a powerful voice for the Nymex to ignore.

Should Nymex decide against its membership's wishes – the vote was 80 per cent in favour of staying in New York – some believe there could be a revolt by referendum to overturn the decision.

Tight nickel stocks predicted

By David Blackwell

SOVIET NICKEL exports now account for about 13 per cent of Western nickel supplies, leaving the market vulnerable to any disruptions in shipments, according to a report from Carr Kitcat & Aitken, the London stockbrokers.

The recent unrest in the Baltic states has highlighted concern over the reliability of supplies, says the report.

"This major factor should prove supportive to prices over the coming months, particularly as the steady erosion of the political and economic infrastructure of the Soviet Union gathers pace."

A large amount of nickel is shipped from the ports of Riga and Tallinn, says the report, which also points out that production at the primarily coal-fired nickel complex at Norilsk has been disrupted by the strikes in the Soviet coal fields.

Meanwhile the normal seasonal increase in stainless steel production is expected to tighten the finely balanced supply-demand situation in the next two to three months. The report predicts stocks will decline further from the already minimal level of seven weeks' consumption.

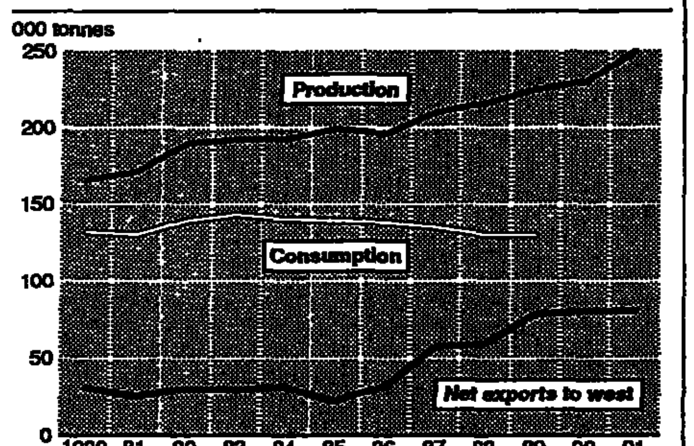
The situation is likely to be exacerbated by production problems at a several primary producers and a shortage of stainless steel scrap. The report points out that some steelmakers depend on scrap for up to 70 per cent of their nickel supplies.

Carr is predicting an average nickel price in the second quarter of $4.40 a lb, compared with $3.93 a lb in the first quarter. Last night cash nickel on the London Metal Exchange closed at $8,967.50 a tonne, or $4.07 cents a lb, down $32.50 on the day.

However, once the second quarter is past prices are likely to weaken again, resuming the downtrend that was in evidence before this year, says the report. Stainless steel production is expected to fall by 1 per cent this year, the third year of decline.

"As a result Western world nickel consumption should be lower by about 2.3 per cent at 635,000 tonnes in 1991, compared with 650,000 tonnes in 1990," says the report, which puts Western refined production this year up 1.8 per cent at 575,000 tonnes. After allowing for 85,000 tonnes of imports a surplus of 25,000 tonnes is likely by the year end.

USSR Nickel



Source: Carr Kitcat & Aitken - April 1991

Heated arguments over effects of drought

There is controversy over how imminent irrigation restrictions should be applied

FARMER'S VIEWPOINT

By David Richardson

THERE is no dispute that there is a drought in the south and east of England. But the row between the National Rivers Authority (NRA) and farmers who irrigate crops about the best way to use and conserve limited supplies is becoming increasingly acrimonious.

The south-east has always been the breadbasket of England, growing cereals for that most basic human food and, of course, for feeding livestock. It has also, because of its proximity to the main centres of population, been the main producer of vegetables.

During the last 10 to 15 years, however, with the development of sophisticated irrigation techniques, the importance of crops like early potatoes, carrots and fresh salad vegetables in general for sale in supermarkets has increased dramatically and with it the profitability of the light-land farms concerned. Without adequate irrigation such enterprises would quickly collapse.

Experience suggests that yields would probably be halved and quality would deteriorate to the point of unsaleability.

Today's consumers have come to expect evenly grown, smooth-skinned, clean vegetables free of scabs and spots, which can only be grown with optimum moisture. Neither the supermarkets nor their customers would willingly accept anything less, and farmers are fearful that buyers would seek alternatives from overseas suppliers.

The NRA, however, has stated that because of the shortage of water caused by 33 months of drought – one of the longest dry periods this century – it might be forced to restrict crop irrigation to six hours a day in some areas and perhaps ban it altogether in others.

Back in January it was warning of problems ahead. Even then the cumulative deficit since August 1988 was equivalent to about 12 inches of rain. The NRA said at the beginning of the year that to avoid restrictions we needed that kind of quantity of rain by the end of April. But average rainfall over most of the area has been only about five inches.

It is now almost inevitable, therefore, that some sort of restriction on irrigation will soon be imposed by the NRA on all farmers licensed to abstract from ground water-supplies via bores, or from surface water, such as rivers. Farmers with their own reservoirs in which they have stored water collected during the winter are unlikely to be affected.

For the majority who do not have storage facilities, however, it is the type of restriction proposed which is disputed. The NRA claims it has consulted farmers' representatives, the Ministry of Agriculture and others and that the consensus was to limit irrigation to the hours between six am to noon each day.

Most of the irrigating farmers, on the other hand, point out that this would be inefficient because much of the water would evaporate during the heat of summer days. They would rather, they say, be permitted to use an agreed percentage of their entitlement when they believed it would do their crops most good, or as a second choice to irrigate at night, when crops would derive maximum benefit from the water applied.

The NRA replies that night-time irrigation cannot be policed, and that it could be dangerous. By this, they mean that, if unattended, mobile irrigation guns might collide with electricity wires and the like. The farmers say they feel insulted by the NRA's implication that they are dishonest or irresponsible or both.

Then things get even nastier. The farmers say the NRA is unjustified in claiming that aquifers, that is, the deep limestone rocks which hold the water, are much lower than they really are. Their own records, they claim, show little difference in bore water levels from previous years, in spite of the drought.

They also accuse the NRA of wasting water, and of transferring supplies from this driest area of the country to wash cars in other areas and to top up rivers and wet-lands for conservation reasons while seeking to penalise the production of food. The farmers say the NRA's priorities are domestic consumers first, industry second, conservation third, and food and farming at the bottom of the list.

The NRA denies that it has any list of priorities, although it does concede that water wastage because of leaky pipes could be between 10 per cent and 40 per cent of supplies. It points out, however, that it has no power to control the water used by domestic consumers because this is now the responsibility of the water supply companies.

Last week two of the region's highest-powered MPs got involved in the row. Mr John MacGregor, leader of the House of Commons and MP for South Norfolk, and Mrs Gillian Shepherd, Minister of State at the Treasury and MP for South West Norfolk apparently persuaded the NRA to review its policy towards irrigation. They are scheduled to meet John Gummer, the Minister of Agriculture, for further discussions on the matter this week.

Clearly they recognise the threat to the livelihoods of many of their voters – not just the farmers, but also the thousands who work in processing plants, pre-packing vegetables for the supermarkets.

Meanwhile, the drought continues. Soil moisture deficits – that is, the amount of moisture in that part of the soil to which crop roots can penetrate compared to what they require for optimum growth – are already high and increasing. According to the Agromet Unit run by the Ministry of Agriculture at Wolverhampton, deficits for crops of grass, for instance, exceeded 25 mm last week across most of the southern two-thirds of England for the second year running.

Last week the irrigation advice service run by Norsk Hydro, the fertiliser company, was warning that autumn-sown crops of cereals on some of East Anglia's lightest land would need irrigating within a few days if there was not substantial rain. It should be noted that the irrigation of cereals even in June is normally a rather dubious economic exercise, but in late April or early May it is almost unheard of.

It is, of course, still possible that adequate rainfull during the next few crucial weeks will provide farm crops on heavier, more moisture-retentive soils with what they need. But although weather forecasters expect significant rainfall in the west this week, they see little prospect in much reaching the parched east.

Irrigating and non-irrigating farmers are becoming increasingly concerned.

That concern was exacerbated last week by Prof Keith Clayton of the University of East Anglia's Department of Environmental Sciences. He predicted that, even given rainfall up to average, increasing usage of water by households, industry and agriculture would mean East Anglia would be forced to import supplies from Wales by the year 2000. It appears that this water-shortage story will run and run.

Namibia gets tough to defend its fishing grounds

By Robert Anderson

NAMIBIA, which has long had its rich fishing grounds plundered by other countries, is taking tough action to preserve what it hopes will become a major source of foreign exchange.

South Africa, the country's former ruler, was itself exploiting the fish stocks and, as the rest of the world did not recognise South Africa's jurisdiction over Namibia, the Namibian coast became open range for fleets increasingly restricted by measures to conserve falling stocks elsewhere.

Last April the newly-independent Namibia declared a 200-mile Economic Exclusion Zone (EEZ) and announced that fishing would be by licence only until research could be done into fish stocks.

Stocks are believed to have plummetted, according to one survey. In 1977 60% of hake – the target of Spanish ships – caught off Namibia was past breeding age. In 1989 82% was less than a year old. The average annual hake catch is now half the 1972 peak of 800,000.

The country has announced a total allowable hake catch of 60,000 tonnes in 1991, but only 15% of this is open to foreign fleets. This is less than 5% of what the EC fisheries directorate felt would be a reasonable compromise.

Namibia has previously been powerless to prevent poaching because it lacks a credible fisheries protection fleet. But last November five Spanish ships were caught fishing illegally inside the EEZ in a daring helicopter operation.

Two weeks ago the Namibian Supreme Court sentenced the captains of the five Spanish vessels to pay fines totalling R155m (£33m) or serve prison terms of between 3½ years and 6 years. Their ships were seized, with their equipment and catches.

The day after the arrests Mr Manuel Marin, the European Community commissioner for fisheries, scuppered fishing quota talks between the EC and Namibia, citing Namibia's "apparent conflict with a member state" and the low quotas offered to the Community.

Mr David Morris, MEP for Mid and West Wales and a member of the fisheries committee of the European parliament, has written an open letter to the parliament protesting against what he regards as the use of the commission's powers to protect the interests of the large Spanish fishing companies.

Mr Morris says: "Namibia is not in conflict with the European Community. It is not even in conflict with the Spanish government." The decision to halt negotiations "has created the impression that the European Community as a body endorses the criminal activities of Spanish fishing crew."

Spain is the country with most to lose by Namibia's assertion of its fishing rights. Spanish ships net half the hake caught off the Namibian coast. Around ports like Vigo in Galacia, 50,000 people are said to be directly or indirectly dependent on the fishing industry.

Spanish companies have been among the worst offenders in the widespread violation of Namibia's fishing moratorium. The Spanish government "deplores and regrets" the poaching and has warned its fishermen that they face "strict legal measures" if they violate Namibian waters. It has apprehended seven ships whose catches came from the area.

Eventually Spain will have to accept a drastic reduction in its fishing off the Namibian coast if stocks are to recover and Namibia is to be allowed to build up its own fishing capability. The Spanish government's problem is that this will have severe domestic repercussions.

Commissioner Marin has said there is 40% overcapacity in the EC fishing fleet; the north Atlantic has been seriously overfished; in the south Atlantic, European fleets are finding that African governments such as Namibia and Sierre Leone – which last month arrested a French trawler – are becoming increasingly assertive. As Spain makes up such a large proportion of European tonnage, Spain will have to bear the brunt of the cuts if this overcapacity is to be reduced.

In the past Namibian fishermen accounted for only 15% of the fish caught within the EEZ and little of the £100m-worth of catches by foreign fleets contributed to the country's economy. The government is keen to build up its own fishing fleet and processing industry after stocks have been given time to recover. This will be based around the deep water port of Walvis Bay, which, though currently part of South Africa, is widely expected to revert to Namibia soon.

The Namibian government believes fishing could overtake mining as the economy's most important sector in five years time. In 1988 it constituted 2.5% of GDP and 4.4% of exports.

WORLD COMMODITIES PRICES

MARKET REPORT

Gold closed below key support at $352 a troy ounce on the London bullion market yesterday. Dealers said that key support at $350 remains intact, but subject to further downward pressure due to the continuing strength of the dollar. On the bullish side gold fundamentals are starting to look more constructive and the US is weighing the possibility of extending new farm export credits to the Soviet Union. Credits would reduce the potential for gold sales, analysts said. On the LME copper closed ahead but off the day's highs after an expected announcement on supply disruptions from a major African producer failed to emerge. Cocoa prices closed lower in London, although off the day's lows, and were down in New York after hitting a life-of-contract low in early trading. The overall mood both in London and New York continues bearish, with dealers still expecting to see £620 and possibly £600 a tonne tested in the near future. In Chicago pork bellies were sharply up at midday on persistent rumours that South Korea had purchased an additional 4.4m lbs of US pork bellies, traders said. But many traders said the purchase would not be large enough to fully offset the oversupply of pork bellies in the US.

Compiled from Reuters

London Markets

SPOT MARKETS		
Crude oil (per barrel FOB)		+ or -
Dubai	$15.70-5.80u	+.175
Brent Blend (dated)	$19.85-20.20	+0.25
Brent Blend (Jun)	$19.65-9.70	+0.20
W.T.I. (1 pm est)	$21.30-1.35u	+0.25
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$244-248	-1
Gas Oil	$184-186	+4
Heavy Fuel Oil	$67-68	
Naphtha	$214-216	+10
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$351.35	-2.60
Silver (per troy oz)♣	390.00c	
Platinum (per troy oz)	$385.85	-3.40
Palladium (per troy oz)	$98.25	-3.60
Aluminium (free market)	$1330	-25
Copper (US Producer)	114c	+1⅝
Lead (US Producer)	35c	-1
Nickel (free market)	416c	-2
Tin (Kuala Lumpur market)	15.66r	-0.07
Tin (New York)	270.0c	-6.5
Zinc (US Prime Western)	62c	
Cattle (live weight)†	111.70p	-0.44*
Sheep (dead weight)†	214.27p	-18.5*
Pigs (live weight)†	92.01p	+4.00*
London daily sugar (raw)	210.5t	+1.5
London daily sugar (white)	$274.0t	+2.5
Tate and Lyle export price	£233.5	+2.0
Barley (English feed)	unq	
Maize (US No. 3 yellow)	£178.5	
Wheat (US Dark Northern)	£97.0	
Rubber (Jun)♥	54.00p	
Rubber (Jul)♥	54.50p	
Rubber (KL RSS No 1 May)	228.5m	
Coconut oil (Philippines)§	$330t	
Palm Oil (Malaysian)§	$325u	
Copra (Philippines)§	$227.5x	
Soyabeans (US)	£160s	
Cotton "A" index	83.00c	-0.10
Wooltops (64s Super)	358p	+6

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. q-Jun/Jul t-May/Jun u-Jun v-Jul. x-Jul/Aug. s-May. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

SUGAR – London FOX ($ per tonne)			
Raw	Close	Previous	High/Low
May	168.00	184.00	182.00 168.00
Aug	173.60	179.40	179.20 173.00
Oct	174.00	179.80	177.00 173.00
Mar	174.00	177.00	175.80 174.00
White	Close	Previous	High/Low
Aug	266.5	270.0	269.0 265.2
Oct	244.5	249.0	245.5 243.0
Dec	243.5	247.0	242.0

Turnover: Raw 435 (620) lots of 50 tonnes. White 359 (282)
Paris- White (FFr per tonne): Aug 1588, Oct 1461.

CRUDE OIL – IPE ($/barrel)	Latest	Previous	High/Low
Jun	19.58	19.61	19.80 19.58
Jul	19.28	19.30	19.45 19.28
Aug	19.07	19.10	19.30 19.06
Sep	19.05	19.16	19.22 19.02
Oct	19.06	19.15	19.13 19.05
Nov	19.00		19.00
IPE Index	19.48	19.51	

Turnover 20705 (20059)

GAS OIL – IPE ($/tonne)	Latest	Previous	High/Low
May	180.25	177.25	181.50 179.50
Jun	175.25	172.50	176.50 175.00
Jul	172.25	171.00	174.00 172.00
Aug	175.00	173.25	176.00 174.50
Sep	177.25	175.00	176.75 176.50
Oct	180.00	178.25	185.00 178.50
Nov	180.50	179.00	180.50 180.00
Dec	181.25	178.75	181.60 179.50
Jan	179.50	176.00	178.50 178.00

Turnover 15543 (21969) lots of 100 tonnes

TEA
There was good general demand this week, reports the Tea Brokers' Association. Brightest Rwanda teas sold at lower levels, but good liquoring Kenyas met increased competition with prices 5 to 10p dearer. Better mediums remained fully firm, but plainer varieties tended easier throughout. Central Africans sold readily and were sometimes dearer, particularly the brighter descriptions. Ceylons attracted good support with brighter teas dearer, but the remainder barely steady. Offshore teas sold well and Kenya prices were often 3p to 5p higher. Quotations: Quality 230p nominal, medium 118p, low medium 77p.

COCOA – London FOX (£/tonne)	Close	Previous	High/Low
May	610	615	613 599
Jul	640	646	643 634
Sep	670	675	672 663
Dec	703	708	704 696
Mar	734	737	735 728
May	755	757	758 750
Jul	775	778	777 771

Turnover: 7446 (12060) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Apr 26 813.98 (826.67) 10 day average for Apr 29 848.86 (852.57)

COFFEE – London FOX (£/tonne)	Close	Previous	High/Low
May	535	530	540 533
Jul	568	567	570 564
Sep	591	590	593 588
Nov	611	610	614 608
Jan	630	630	630 627
Mar	644	645	645 640

Turnover: 6100 (6017 lots of 5 tonnes
ICO indicator prices (US cents per pound) for Apr 26 : Comp. daily 68.31 (69.48). 15 day average 71.40 (71.67)

POTATOES – London FOX (£/tonne)	Close	Previous	High/Low
May	142.0	140.5	142.0 140.0
Mar	134.0	136.5	135.0
Apr	133.9	137.0	136.0 134.0

Turnover 299 (1110) lots of 40 tonnes.

SOYAMEAL – London FOX (£/tonne)	Close	Previous	High/Low
Aug	133.50	132.00	133.50
Oct	137.00	134.00	137.00 135.00
Dec	139.50		139.50

Turnover 86 (115) lots of 20 tonnes.

FREIGHT – London FOX ($10/index point)	Close	Previous	High/Low
May	1614	1620	1616 1610
Jul	1275	1285	1285 1276
Oct	1379	1380	1379 1375
BFI	1630	1630	

Turnover 120 (300)

GRAINS – London FOX (£/tonne)			
Wheat	Close	Previous	High/Low
May	137.65	137.85	138.00 137.65
Jun	139.00	139.25	139.50 139.40
Barley	Close	Previous	High/Low
May	118.00	118.00	118.00
Nov	111.80		111.75

Turnover: Wheat 166 (219), Barley 27 (12).
Turnover lots of 100 tonnes.

PIGS – London FOX (Cash Settlement) p/kg	Close	Previous	High/Low
May	119.0	118.0	119.0 118.5
Jun	125.0	120.0	121.5 120.0
Jul	125.0	120.0	121.0 120.0
Aug	125.0	120.0	121.0 120.0
Sep	122.0	119.0	120.5 120.0
Oct	121.0	119.0	120.5 120.0
Nov	119.0	117.0	119.0 118.5
Jan	113.5	113.0	113.5

Turnover:249 (257) lots of 3,250 kg

SOMI – London FOX	Close	Prev.	High	Low	Vol
Indx	149.67	150.54	149.67		
May	150.20	150.50	150.30	149.60	135
Jun	149.90	149.90	149.30	148.90	85
Sep	149.20	149.80	149.20	148.70	57
Dec	149.00	150.60	149.00	149.00	20

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 13,234 lots
Cash	1331-3	1346-8	1326	1325-6		
3 months	1363-4	1378-9	1371/1350	1357-8	1370-1	73,194 lots
Copper, Grade A (£ per tonne)						Total daily turnover 22,055 lots
Cash	1483-4	1484-5	1499/1497	1499-500		
3 months	1445-6	1438-9	1457/1445	1456-7	1445-6	104,666 lots
Lead (£ per tonne)						Total daily turnover 3,797 lots
Cash	332.5-3	343-4	336/333	334-4.5		
3 months	344-4.5	349-50	350/343.5	346-6.5	347-8	15,169 lots
Nickel ($ per tonne)						Total daily turnover 2,381 lots
Cash	8960-75	8990-9010	8960	8960-5		
3 months	9050-60	8980-9000	9125/8980	8965-70	9110-25	9,539 lots
Tin ($ per tonne)						Total daily turnover 2,512 lots
Cash	5775-85	5820-30	5810	5810-20		
3 months	5825-35	5880-85	5875/5825	5840-60	5830-40	6,386 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 8,261 lots
Cash	1149-51	1148-9	1151	1151-2		
3 months	1155-6	1156-6	1157/1152	1154-5	1155-6	27,460 lots

LME Closing £/$ rate:
SPOT: 1.6745 3 months: 1.6521 6 months: 1.6340 9 months: 1.6198

LONDON BULLION MARKET
(Prices supplied by N.M.Rothschild)

Gold (fine oz)	$ price	£ equivalent
Close	351.10-351.60	
Opening	352.40-352.90	
Morning fix	351.30	209.64
Afternoon fix	351.10	209.70
Day's high	352.90-353.30	
Day's low	351.10-351.60	

Loco Ldn Mean Gold Lending Rates (Vs US$)			
1 month	5.35	6 months	5.21
2 months	5.31	12 months	5.16
3 months	5.29		

Silver fix	p/fine oz	US cts equiv
Spot	232.45	386.75
3 months	239.30	394.75
6 months	245.60	401.05
12 months	258.20	414.05

GOLD COINS
(Prices supplied by Engelhard Metals)

	$ price	£ equivalent
Krugerrand	352.00-353.00	210.25-210.75
Maple leaf	360.00-361.00	215.00-215.50
New Sovereign	84.00-85.00	50.00-50.50

TRADED OPTIONS

Coffee	Jul	Sep	Jul	Sep
550	29	53	18	12
600	9	25	49	34
650		11		70
Cocoa	Jul	Sep	Jul	Sep
600	48	61	8	12
650	19	46	29	29
700	6	28	66	59
Brent Crude	Jun	Jul	Jun	Jul
1850				
1950				
2000		29	43	55

New York

GOLD 100 troy oz.; $/troy oz.	Close	Previous	High/Low	
May	352.1	353.9	350.5	350.3
Jun	354.1	355.5	354.2	352.6
Aug	357.1	358.5	357.3	355.8
Oct	360.3	361.7	360.0	359.3
Dec	363.4	364.9	363.5	362.0
Feb	366.8	368.3	368.0	366.0
Apr	370.1	371.6	0	0
Jun	373.7	375.2	0	0

PLATINUM 50 troy oz; $/troy oz.	Close	Previous	High/Low	
Jul	391.3	392.7	391.5	386.0
Oct	395.2	396.6	394.0	391.9
Jan	398.9	400.1	397.5	397.0
Apr	402.9	404.1	0	0
Jul	407.4	408.6	0	0
Jul	407.1	409.9	0	0

SILVER 5,000 troy oz; cents/troy oz.	Close	Previous	High/Low	
May	391.5	391.2	392.0	385.5
Jun	394.2	393.6	390.5	389.5
Jul	395.5	395.9	397.0	390.0
Sep	401.5	400.8	402.0	395.5
Dec	408.4	407.7	409.5	402.0
Jan	410.7	410.0	0	0
Mar	415.9	415.2	417.0	410.5
May	421.1	420.4	419.5	417.0
Jul	426.3	425.6	0	0
Sep	432.0	431.3	0	0

HIGH GRADE COPPER 25,000 lbs; cents/lbs	Close	Previous	High/Low	
May	107.50	107.35	107.90	107.00
Jun	107.90	107.00	107.60	107.20
Jul	107.40	106.45	107.60	106.15
Aug	107.00	106.05	0	0
Sep	106.50	105.55	106.60	105.50
Oct	105.95	105.00	0	0
Nov	105.55	104.60	0	0
Dec	105.00	104.05	105.20	104.00
Jan	104.20	103.26	0	0
Feb	103.85	102.90	0	0

CRUDE OIL (Light) 42,000 US galls $/barrel	Latest	Previous	High/Low	
Jun	21.21	21.28	21.51	21.14
Jul	20.98	21.04	21.25	20.88
Aug	20.81	20.81	20.98	20.70
Sep	20.65	20.64	20.80	20.54
Oct	20.54	20.51	20.60	20.46
Nov	20.44	20.42	20.55	20.42
Dec	20.40	20.35	20.48	20.35
Feb	20.24	20.18	20.27	20.20
Mar	20.17	20.11	20.20	20.13

HEATING OIL 42,000 US galls, cents/US galls	Latest	Previous	High/Low	
May	5540	5587	5640	5530
Jun	5540	5559	5610	5525
Jul	5575	5574	5625	5550
Aug	5630	5636	5670	5615
Sep	5750	5766	5780	5725
Oct	5840	5846	5860	5830
Nov	5920	5936	5960	5910
Jan	6020	6031	6060	6020
Feb	5910	5906	5970	5910

COCOA 10 tonnes;$/tonnes	Close	Previous	High/Low	
May	991	1005	1000	990
Jul	1019	1028	1027	1011
Sep	1047	1055	1053	1037
Dec	1086	1095	1089	1076
Mar	1119	1132	1127	1115
May	1146	1160	1162	1143
Jul	1174	1186	1173	1173
Sep	1201	1209	1200	1198

COFFEE "C" 37,500lbs; cents/lbs	Close	Previous	High/Low	
May	87.30	86.90	87.75	86.50
Jul	89.50	89.05	89.86	89.45
Sep	91.75	91.15	92.05	91.05
Dec	94.65	94.10	95.00	94.10
Mar	97.50	96.80	98.05	97.60
May	99.25	99.00	100.05	99.60
Jul	101.25	100.50	0	0
Sep	103.00	101.75	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs	Close	Previous	High/Low	
May	7.92	8.29	8.29	7.87
Jul	7.88	8.04	8.03	7.83
Oct	7.77	7.96	7.92	7.75
Mar	7.82	7.86	7.98	7.82
May	7.91	8.04	0	0
Jul	8.01	8.09	0	0

COTTON 50,000; cents/lbs	Close	Previous	High/Low	
May	90.25	89.23	90.25	89.10
Jul	87.18	86.38	87.39	86.75
Oct	76.27	75.25	76.70	76.15
Dec	71.75	70.76	71.95	71.50
Mar	72.75	71.90	72.75	72.46
May	73.35	72.63	73.35	73.20
Jul	73.60	72.75	73.50	73.26

ORANGE JUICE 15,000 lbs; cents/lbs	Close	Previous	High/Low	
May	113.60	112.70	113.90	113.30
Jul	115.85	115.00	116.00	115.25
Sep	116.06	116.50	116.60	115.50
Nov	115.80	114.50	116.10	115.80

INDICES

REUTERS (Base: September 18 1931 = 100)			
Apr 29	Apr 26	mnth ago	yr ago
1746.4	1748.1	-	1925.9

DOW JONES (Base: Dec. 31 1974 = 100)	Apr 26	Apr 25	mnth ago	yr ago
Spot	126.62	126.34	-	135.49
Futures	127.41	127.71	-	133.36

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel	Close	Previous	High/Low	
May	576/6	591/4	589/4	[illegible]
Jul	589/6	603/6	601/4	[illegible]
Aug	594/0	609/2	606/2	[illegible]
Sep	595/6	610/4	609/0	[illegible]
Nov	605/4	619/0	617/2	[illegible]
Jan	617/0	629/6	628/0	[illegible]
Mar	628/0	640/6	638/4	[illegible]
May	636/0	648/0	643/4	[illegible]

SOYABEAN OIL 60,000 lbs; cents/lb	Close	Previous	High/Low	
May	20.50	21.20	21.16	[illegible]
Jul	20.86	21.58	21.52	[illegible]
Aug	21.05	21.75	21.69	[illegible]
Sep	21.22	21.92	21.90	[illegible]
Oct	21.35	22.09	22.05	[illegible]
Dec	21.68	22.40	22.25	[illegible]
Jan	21.81	22.47	22.00	[illegible]
Mar	22.15	22.75	22.23	[illegible]
May	22.35	22.80	0	0

SOYABEAN MEAL 100 tons; $/ton	Close	Previous	High/Low	
May	171.5	176.6	176.2	[illegible]
Jul	173.9	179.5	178.8	[illegible]
Aug	175.2	180.5	180.0	[illegible]
Sep	176.7	182.1	181.5	[illegible]
Oct	177.8	182.8	182.0	[illegible]
Dec	181.0	185.5	186.0	[illegible]
Jan	182.0	186.0	184.5	[illegible]
Mar	186.5	1189.0	187.0	[illegible]
May	186.0	191.0	189.0	[illegible]

MAIZE 5,000 bu min; cents/56lb bushel	Close	Previous	High/Low	
May	248/2	253/2	252/0	[illegible]
Jul	255/4	260/2	259/2	[illegible]
Sep	251/4	256/0	255/4	[illegible]
Dec	250/2	254/2	253/4	[illegible]
Mar	258/0	262/0	261/0	[illegible]
May	263/0	267/4	264/6	[illegible]

WHEAT 5,000 bu min; cents/60lb-bushel	Close	Previous	High/Low	
May	269/4	275/2	274/0	[illegible]
Jul	280/2	286/6	285/0	[illegible]
Sep	289/4	294/4	293/6	[illegible]
Dec	302/4	309/2	307/0	[illegible]
Mar	311/4	318/2	316/4	[illegible]
May	316/0	321/0	316/4	[illegible]

LIVE CATTLE 40,000 lbs; cents/lbs	Close	Previous	High/Low	
Jun	78.27	78.47	78.72	[illegible]
Aug	74.80	74.96	75.10	[illegible]
Oct	76.32	76.32	76.42	[illegible]
Dec	76.47	76.32	76.50	[illegible]
Feb	76.02	75.87	76.05	[illegible]
Apr	76.60	76.55	76.60	[illegible]
Jun	75.00	74.95	75.00	[illegible]

LIVE HOGS 30,000 lb; cents/lbs	Close	Previous	High/Low	
Jun	58.75	58.45	58.92	[illegible]
Jul	57.77	57.65	57.92	[illegible]
Aug	54.37	54.37	54.82	[illegible]
Oct	48.95	49.07	49.20	[illegible]
Dec	48.55	48.60	48.85	[illegible]
Feb	48.15	48.07	48.15	[illegible]
Apr	46.42	46.50	46.60	[illegible]
Jun	50.15	50.05	50.15	0

PORK BELLIES 40,000 lbs; cents/lb	Close	Previous	High/Low	
May	66.12	65.97	67.02	[illegible]
Jul	65.12	64.37	65.95	[illegible]
Aug	62.25	61.47	63.37	[illegible]
Feb	59.82	59.80	61.00	[illegible]
Mar	60.20	60.20	0	0

LONDON STOCK EXCHANGE

Firm advance as new account opens

LONDON STOCKS had a firm start yesterday to a long three-week account which is likely to be dominated by the results of Thursday's UK local government elections. However, trading was thin and much of the improvement was the result of technical and currency factors.

The performance of the dollar, after the weekend's G7 meeting in Washington, dominated early trading. The Tokyo stock market was closed for a national holiday. The dollar's initial strength led to a hesitant start to London equity trading and the FT-SE 100 index opened slightly lower.

Traders had taken the view, however, that uncertainty ahead of the polls would hit shares harder. A modest 2.6-point fall in the Footsie led them to cover their bear positions in the futures market.

Account Dealing Dates		
*First Dealings:		
Apr 16	Apr 29	May 20
Option Declarations:		
Apr 25	May 16	May 30
Last Dealings:		
Apr 26	May 17	May 31
Account Day:		
May 7	May 28	Jun 10

*New-time dealings may take place from 8.30 am two business days earlier.

As the premium on the Footsie future increased, the dollar steadied and sterling rose against the D-Mark. The market recovered its nerve, taking account of weekend opinion polls, which seemed to indicate that the Conservative party might be able to avoid electoral humiliation on Thursday.

Equity strategists underlined at least the short-term significance of such a possibility. "The poll is pivotal for the market," said Mr John Reynolds of County NatWest. If this happened, sterling would strengthen and there would be more scope for interest rate cuts.

The cash futures market seemed to respond to similar thoughts, taking its view of three-month interest rates from a cut of ¼ per cent to one of ¾ per cent. Gilts were more equivocal, with shorts barely changed and medium and long-dated issues slightly lower.

Mr Paul Walton at James Capel said there was a case for the government to cut rates before the next set of UK inflation figures, due on May 17th. The headline rate of inflation for the year to April is likely to show a sharp fall to little more than 6 per cent; this would underpin confidence and minimise the effect of any rate reduction on sterling. Mr Walton said that some in the market felt a cut before Thursday's polls was a possibility, although most traders thought this unlikely.

The net effect of short covering in the futures and talk of interest rate reductions and the opinion polls was to push the Footsie index to 0.1 points short of regaining the 2,500 mark. An erratic opening from Wall Street pulled the index back briefly before it edged higher once again to close at 2498.6, up 26.9 points on the day.

Trading volume was low by the standards of the last few weeks at 366.1m shares. This backed up strategists' views that there would be little concerted buying or selling by institutions before Thursday.

Individual share price movements yesterday were few, although internationally quoted shares showed good rises almost across the board as the dollar rose. In the absence of any further large rights issues, most other big capitalisation stocks firmed in line with the market.

Talk of more job losses at Marks and Spencer were confirmed, as were some of the more pessimistic forecasts on how strict are to be the controls on British Gas pricing by the UK government regulatory body, Ofgas.

Bid activity was limited to a tender offer for 18¼ per cent of retail chain Etam from South African group Oceana, and a £3.2m offer for 35 per cent of football club Tottenham Hotspur led by Mr Terry Venables, the team manager. Shares in Tottenham have been suspended since October 1990.

FINANCIAL TIMES STOCK INDICES

[illegible]

GILT EDGED ACTIVITY

[illegible]

London report and latest Share Index: Tel. 0898 123001

Gas weak on pricing formula

BUSY two-way trade developed in British Gas after the company agreed to abide by a new pricing formula for the company's 17m-plus domestic customers from the gas industry regulator, Ofgas. The new formula, the inflation rate minus five points, was said by analysts to have been as bad as they could have expected.

Gas dropped to 238p on the news, compared with last Friday's close of 244½p, but then rallied to 245p before dipping again and closing a fraction easier on balance at 244p. Turnover of 21m was the day's highest of the Footsie stocks.

Among bears of the stock, Mr John Toalster of Strauss Turnbull, described the pricing formula as "very tough", while Mr Steve Turner at Smith New Court said that "at a stroke Mr McKinnon [director-general of Ofgas] has removed any prospect of real earnings growth over the next five years".

BZW's utilities team said it was "still negative" on Gas, while County NatWest told clients to switch from Gas to British Telecom, where the company faces a better earnings dividend and regulatory profile.

Kleinwort Benson, a strong supporter of Gas, said that although at first glance the Ofgas terms were "not good", the company said its dividend policy, promising 15 per cent growth, remained unchanged. Mr Jeremy Hudson at Shearson Lehmanremained bullish, also highlighting the "powerful" dividend argument.

Asda slipped a penny to 121p against the wider trend on 2.2m shares traded as brokers reduced their profits estimates following meetings with the company at the end of last week.

Hoare Govett, which had already surprised the market by forecasting lower profits in 1992/93, cut its estimate for that year still further. Hoare now expects £175m against £189m.

A slower stores opening programme in 1991/92 combined with increased competition from its rivals and larger interest payments are eroding Asda's profitability, Hoare said.

Unilever shed 3 to 748p on switching out of the plc shares into the NV. There was also some unease ahead of the first-quarter figures, due in May. Profits of £340m to £350m, against £369m, are expected.

Barclays was among the best performers in the banks, edging up 4 to 446p after a buy recommendation from Panmure Gordon's Mr Tim Clarke. He said Barclays was within a whisker of being the highest yielding stock in the sector and yet is one of the strongest and most profitable.

Bank of Scotland, scheduled to report preliminary figures tomorrow, with County NatWest expecting £135m against last time's £198.5m, eased 2¼ to 132¼p.

CE Heath, the insurance broker, came in for rough treatment, closing 10 lower at 512p after Ms Julianne Jessup at BZW downgraded her profits and dividend estimates. Ms Jessup said BZW was an "emphatic seller of Heath", and chopped her March 1991 estimate from £30m to £27.3m and that for 1992 from £33m to £29m. She reduced her 1992 dividend forecast from 27p to 26p.

Ms Jessup said Heath's dependence on investment income made it vulnerable to falling interest rates, and also cited continuing soft insurance markets and adverse movements in the dollar. She believed Heath's broking operations had had a disappointing renewal season.

Reports that both the chairman and chief executive of Allied-Lyons will this week announce early retirement from July, rather than 1992, caused brief dullness in the shares. They recovered, however, to end 7 higher on the day at 527p.

Sterling/dollar influences combined with American buying ensured a firmer trend for Grand Metropolitan, up 13 at 803p.

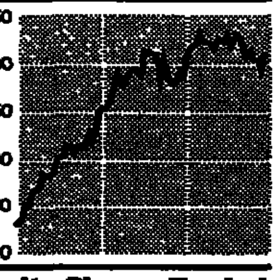
The buoyancy of the equity market aroused speculation of takeover possibilities both for Footsie and lesser-known industrial stocks. Pilkington was inevitably to the fore, advancing 8 to 194p in relatively thin trading as hopes resurfaced of a bid from a UK conglomerate. Once again the principal choice was BTR.

Cookson benefited from both views of the stock being a good recovery play as well as a possible bid target. Again, business was rather light, but the new fully paid shares gained 7 to 132p.

Trimoco, the automotive distributor, was bought on suggestions that either the Saudi Arabian Jameel organisation, a major shareholder, or the UK's Tom Cowie, group might be interested in acquiring the company. Trimoco rose 3 to 22½p.

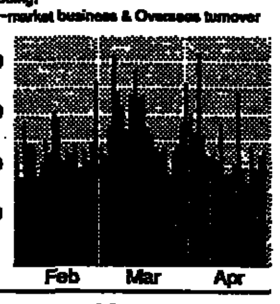
Reports that a predator was looking at CIA Group stimulated support for shares of the USM-quoted media-buying company, andthey rose to 146p before closing 16 ahead on balance at 141p.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)
Excluding:
Intra-market business & Overseas turnover



Worries that digestion of the new shares resulting from the rights issue could hold back Morgan Crucible saw the old fall 13 to 224p xa; the new nil-paid lost 2 to 6p premium.

Demerger stories combined with further dividend buying – the interim results are scheduled for May 8, and thus fall within the current three-week trading account – boosted Trafalgar House again. In trading volume of 2.6m shares the price climbed 10 to 264p.

Hopes revived of MB Caradon finding a buyer for its stake in French group CMB Packaging and the stock jumped 10 to 226p.

British Telecom put on 4½ to 364p, helped by the County recommendation to switch from Gas.

Marks and Spencer firmed just a penny to 255p, underperforming a stronger market as dealers anticipated reductions in profits forecasts following the announcement of provisions of £16m to cover the cost of 850 redundancies. Only a proportion of this will affect the bottom line and profits estimates are likely to be cut from between £615m to £620m to £610m.

EuroDisney moved ahead 32 to 1175p after the company said it was contesting legal action by architects Atelier. Any dispute with Atelier, EuroDisney said, would not affect plans for completion of the attractions in its theme park near Paris.

Granada rallied from an initially depressed 181p to close a net 3 up at 190p after reports that institutional investors are pressing for top-level management changes ahead of an expected £150m rights issue and a number of disposals needed to reduce debt burden.

Electricity distribution stocks lacked support, but water issues were given another push by several brokers, notably Smith New Court. The latter was heavily involved in the Water Package, which moved up 28 to £2983.

Tootal appeared to win the latest round of the verbal battle with hostile bidder Coats Viyella. Its forecast of a 40 per cent rise in profits for the year to next January was criticised by Mr Neville Bain, the Coats chief executive, as being "imprecise". He said that "we are not going to overpay" for Tootal, but the shares gained 2 to 79p, reflecting views that the 65p cash per share offer would be increased, probably by way of an all-paper bid. Coats Viyella firmed to 141p xd.

TR High Income became the first investment trust managed by Touche Remnant to tap the market for funds. It called for £9m through a rights issue, consisting mainly of new shares, although some new subscription shares are also being issued. The proposals left the former 4 lower at 106p and the latter 2 off at 30p.

Property and motor distributor Wyndham rallied 7 to 14p after Friday's steep fall on a sell recommendation.

■ Other Market statistics, including the FT-Actuaries share index, Page 26

Internationals rise

The strength of the dollar at the opening of trade gave international stocks a boost. The rise was led by ICI, on good weekend press comment and as brokers continued to argue that last week's cautious annual meeting marked the low point in the company's fortunes during the current recession. ICI shares climbed 16 to 1076p.

Hoare Govett's assesment that Reuters was undervalued helped sentiment, and steady US buying made its presence felt in Hanson. Reuters advanced 23 to 831p in good turnover for the stock of 1m. Hanson rose 4¾ to 229½p in more typical levels of business as 4.1m changed hands. Glaxo continued last week's recovery with a rise of 21 to 1124p.

NEW HIGHS AND LOWS FOR 1991

NEW HIGHS (161).
BRITISH FUNDS (1) Fd. 6pc 1993, AMERICANS (11) Abbott Labs., Amer. T & T, BankAmerica, CPC, Campbell Soup, FPL, Houston Inds., Lockheed, Lowe's, Morris (P), NYNEX, CANADIANS (12) BCE, Bk. Montreal, Bk. Nova Scotia, Brascan, Breakwater Res., Can. Pacific, Hudson's Bay, Imperial Oil, Inco, Royal Bk. Canada, Toronto-Dom., Transcanada Pipe., BANKS (3) ANZ, Natl. Aust., Westpac, BREWERS (3) Fosters, Kirin, Seagram, CHEMICALS (2) Caird, Engelhard, STORES (9) Ashley (Laura), Blacks Leis., Brown (N), Cantors A, Etam, Pentos, Ritz Design, S & U, Wecsum, ELECTRICALS (15) AB Elecs., Betacom, CML Microsys., Clarke (T.), Domino Printing, Gresham Telecmptg., Life Sciences, Magnetic Matls., Micro Focus, Microfilm Repro., Nthn. Telecom., Pifco, Do. A, Polar, Renishaw, ENGINEERING (2) Cook (Wm), Wagon Indl., FOODS (7) Assoc. Fisheries, BSN, Goodman Fielder Wattie, JLI, Shoprite, Watson & Philip, Wessanen, INDUSTRIALS (20) Airsprung Furn., Amer. Bus. Sys., Astra B, BH Prop., BSS, BTR Nylex, CSR, China Light, Copymore, Dauphin, Faber Prest, Fletcher Chlnge., Flexello, Handley-Walker, Huntleigh Tech., Johnson Cleaners, Pacific Dunlop, RMT, Silentnight, Wassall, INSURANCE (2) FAI, USF & G, LEISURE (3) Barr & Wal A, Campari, Wembley, MOTORS (1) Trimoco, NEWSPAPERS (3) Blenheim, EW Fact, News Intl., PAPERS (3) CIA, PrinTech, TMD Adv., PROPERTY (2) Ests. & Gen., Land Lease, TEXTILES (2) Haggas (J), Tootal, TRANSPORT (2) Mayne Nickless, Sea Conts., TRUSTS (36) Archimedes Inc., Baillie Gifford Japan, Baillie Gifford Shin Nippon, Biotech Prf., Brit. Assets 6pc Cnv. 1995, Comeda Energy, Cons. Venture 120 Wrrnts., EFM Java, First Tokyo Index, Flmg. Amer., Flmg. European Fledg., Flmg. Japanese, Gartmore Emrg. Pac. Wrrnts., Gen. Consld. Stppd. Prf., Genesis Emrg. Mkts., Genesis Malaysia Maju, Grahams Rintoul Stppd. Cap. Prf., India Fd., JF Pac. Wrrnts. SA, Do. Wrrnts Ord., Law Deb., M & G Dual Inc., Malaysian Emrg. Co's, Martin Currie Pac. Wrrnts., Multitrust, New Zealand, Riv. & Merc. Amer. Inc., Siam Fd. Cayman, Siam Select. Growth, Do. Wrrnts., St. David Cap., TR Far East Inc., TR Tech. Stppd. Prf., Do. Zero Prf., Temple Bar 8pc Cnv. 2002, Tor Inc., OILS (8) Bow Valley, Hamilton, LASMO 9¾pc Prf., Mobil, NZ Oil & Gas, Santos, Shell Trans., Woodside, MINES (14) CRA, Delta Gold, Doornfontein, East Daggs, Elsburg, Endeavour, Nth. Broken Hill Peko, Northam Plat., Precious Metals Aust., Renison, Rustenburg Plat., Western Areas, Western Mining, Winkelhaak.
NEW LOWS (18).
BRITISH FUNDS (1) Treas. 9pc 2008 C, STORES (1) Asprey, ELECTRICALS (4) Decistron, Holmes Protection, Sema, Standard Platform, HOTELS (1) Harmony Leis., INDUSTRIALS (6) Doctus, Hunting, Maxiprint, Plastiseal, Ross, LEISURE (1) Tomorrows Leis., PROPERTY (1) Barlows, TRUSTS (2) Drayton Eng. & Intl., Do. Wrrnts., MINES (3) Bracken, Harmony, Pancont'l.

TRADING VOLUME IN MAJOR STOCKS

[illegible]

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm.

EQUITY FUTURES AND OPTIONS TRADING

A GENTLE squeeze began to develop in derivative markets yesterday as a rally in German bond futures and an advance in US equities pulled London shares up from the lows of last week.

The June FT-SE 100 index contract opened firmly, which encouraged arbitrageurs to sell futures and buy shares, which in turn dragged the share market higher.

However, this caused only a temporary halt to the futures market's advance. Equity marketmakers continued to buy FT-SE futures, which encouraged private investors into the market.

June FT-SE closed at 2,519, up 28 points on the day. June's premium to the spot index finished at 22 points, against fair value of around 15. Dealers said June's premium to fair value indicated that the futures market saw short-term gains on the stock market.

Traded options were boosted by busy dealing in the Euro FT-SE 100 index, which saw 1,000 contracts change hands in each of the December 2,225, 2,325 and 2,425 puts. Among FT-SE options, a securities house sold 1,000 December 2,700 calls.

Among the stock options, buying of British Telecom August 360 calls and May 360 puts boosted turnover. British Gas June 240 puts were busy, while Pilkington August 200 calls were also sought.

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

[illegible]

BRITISH FUNDS—Contd

[illegible]

INT. BANK AND O'SEAS

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Building Societies

[illegible]

Public Board and Ind.

[illegible]

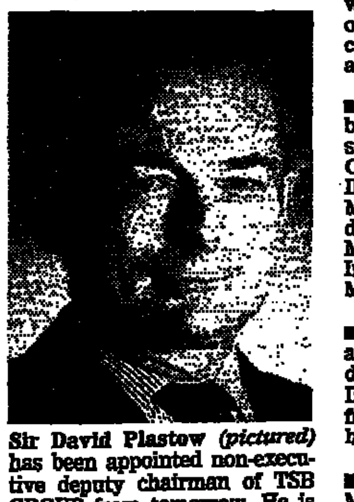
FOREIGN BONDS & RAILS

[illegible]

Continued on page 38

APPOINTMENTS

Deputy chairman of TSB



Sir David Plastow *(pictured)* has been appointed non-executive deputy chairman of TSB GROUP from tomorrow. He is chairman and chief executive of Vickers, from which he retires next May. Sir David is also deputy chairman of Guinness, and on the board of Tenneco Inc, Houston, Texas. He replaces Mr Philip Charleton, an executive deputy chairman, who retires at the end of May.

■ Mr John Speirs has been appointed chairman of DRAMGATE, owner of the dynamically positioned multi-functioned offshore support vessels mv British Magnus and mv British Viking. Mr Speirs is managing director of Norsk Hydro (UK), a subsidiary of the Norwegian company.

■ Mr Michael Windsor has been appointed a non-executive director of TGI. Mr Windsor was joint managing director of Vickers, and is executive chairman of Horstman Group, and Serck Controls.

■ Dr Rosalind Altmann has been appointed global equity strategist and a director of COUNTY NATWEST INVESTMENT MANAGEMENT. She was a director of Rothschild Asset Management, and Rothschild International Asset Management.

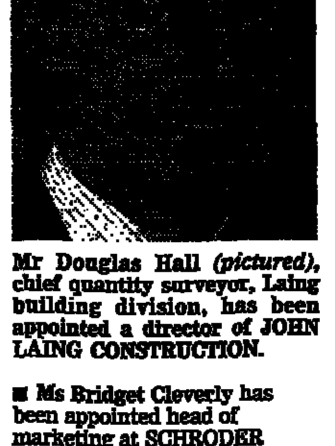
■ Mr Keith G. White has been appointed group finance director at TRADE INDEMNITY GROUP. He joins from County NatWest where he was West Midlands director.

■ THE SCOTTISH MORTGAGE & TRUST has appointed to the board Mr Frederick Johnston, executive chairman of Johnston Press, and Lord Sanderson of Bowden, chairman of the Conservative Party in Scotland.

■ SHELVOKE, Letchworth, has appointed Mr Don Coates as financial director, and Mr Paul Crapper as sales and marketing director.

■ COUNTY NATWEST has appointed Mr Colin Richmond-Watson as regional director, Birmingham. He is the local director heading the finance team in the region and will retain this responsibility.

■ Mr Chris Broadhurst has been appointed senior manager, equity derivative sales, at NOMURA. He was an executive director at Goldman Sachs.



Mr Douglas Hall *(pictured)*, chief quantity surveyor, Laing building division, has been appointed a director of JOHN LAING CONSTRUCTION.

■ Ms Bridget Cleverly has been appointed head of marketing at SCHRODER UNIT TRUSTS from mid-May. She was retail marketing director at Ivory & Sime.

■ CIN VENTURE MANAGERS has appointed as directors: Mr Charles Nicholson, who was a corporate finance director at Morgan Grenfell; Mr Hugh Langmuir from Bain & Co; Mr Brent Wheeler, a director at Scurity Pacific Hoare Govett Equity Ventures; and as internal promotions - Mr Jonathan Clarke, Mr Richard Munton and Mr Simon Rowlands.

■ REG VARDY has appointed Mr Gerard Murray as finance director. He was financial controller, and replaces Mr Robin Launders who is joining Manchester United as finance director. Mr Launders becomes a non-executive director of Reg Vardy.

■ Mr Stuart Campbell James has been appointed chairman of RELIANCE MUTUAL INSURANCE SOCIETY, Tunbridge Wells, succeeding Mr Graham Titford who remains on the board. Mr James is a partner of Rowe and Maw, solicitors.

■ WILLMOTT DIXON SYMES has appointed Mr John Blythe as sales director.

■ TOUCHE REMNANT HOLDINGS has appointed Mr Graham Kane as managing director of SGTR Unit Trust Management from May 13. He was managing director of Laurentian Unit Trust Management, and chairman and managing director of Laurentian Investment Management.

■ Mr David Croft will be joining the partnership of CAZENOVE & CO on May 1, when Mr Rae Lyster retires.

هكذا من الأصل

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline. Calls charged at 48p per minute peak and 34p off peak, inc VAT. To obtain your free Unit Trust Code Booklet ring (071) 925-2128.

AUTHORISED UNIT TRUSTS

MGM Unit Managers Ltd (1000)H
MGM House, Heene Rd, Worthing
Dealing: 0277 261010 Enq: 0903 204631

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
High Income F	5	261.6	264.0xd	280.8	+1.3	6.50
(Accum Units) F	5	411.2	415.2	441.7	+2.0	6.50
UK Growth F	5	302.7	307.0xd	326.5	+0.3	4.33
(Accum Units) F	5	358.3	363.4	386.5	+0.4	4.33
Int Equity Gth $ F	5	52.32	52.51	55.86	+0.14	1.99
Intl Bond F	5	52.26	52.26	54.94	-0.01	7.02
Special Sits F	5	19.59	19.59xd	21.39	+0.01	2.21
North American F	5	67.49	67.80xd	72.12	+0.15	1.21
European Growth $ F	5	48.00	48.26xd	51.34	-0.25	1.37

MW Investment Managers Ltd (0659)F
46 Court St, Haddington, E. Lothian 062 082 5867

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
MW Joint Investors	0	1066.0	1066.0	1096.6	----	4.56

Maiden Unit Trust Managers Ltd (1400)F
15 St Botolph St, London EC3A 7EE 031 226 6066

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Maiden General	0	118.0	118.0xd	121.0	----	4.81

ManuLife Management Ltd (1200)H
St George's Way, Stevenage Dealings:071-256 5858

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Growth Units	5¼	133.1	134.6	143.2	+0.5	1.78
Gilt & F'xd Int	5	142.1	142.1	149.5	-0.6	8.56
Intl Growth	5¼	152.3	153.5xd	163.3	+0.5	0.30
North American ¥	5¼	95.32	97.10	103.3	+0.3	0.27
Far East	5¼	123.4	124.2	132.1	+0.8	0.15
UK Smaller Cos	5¼	110.0	115.1	122.4	----	2.94
European	5¼	32.38	32.38	35.86	-0.32	1.21
Japanese Growth	5¼	39.56	39.56xd	42.25	+0.18	0.00
Managed P'folio	5¼	49.08	49.35	52.50	+0.09	1.59
High Income	5¼	151.1	152.8xd	162.5	+0.6	5.97
High Yielding Gilt	5¼	60.75	60.75xd	64.02	-0.09	10.13
Cash		50.40	50.40	50.40	+0.03	10.77

Morgan Grenfell Unit Tst Mgrs Ltd (1000)H
20 Finsbury Circus, London EC2M 1UT
Dealers: 071-826 0826 Enquiries: 071-826 0129

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
American Gwth	5¼	147.6	147.6	159.0	+1.0	0.96
European Gwth	5¼	195.0	196.0	208.7	-0.2	0.00
Intl Gwth	5¼	147.1	147.1	156.5	+0.8	0.00
UK Equity Inc	5¼	117.4	117.4xd	126.8	-0.1	6.36
UK Equity Acc	5¼	132.2	132.2xd	142.8	-0.1	6.36
UK Ind Tracker Inc	5	120.2	120.2	128.4	-0.2	3.90
UK Ind Tracker Acc	5	128.4	128.4	137.2	-0.2	3.90
US Eq Ind Tracker Inc	5	143.4	143.4xd	153.9	+0.7	2.91
US Eq Ind Tracker Acc	5	148.2	148.2xd	158.9	+0.7	2.91
Japan Tracker	5	65.03	65.03	68.97	+0.2	0.00
Asian Trader	5¼	86.92	86.92xd	93.00	+0.21	1.43
Managed Inc	5¼	100.1	100.1	107.6	+0.9	1.98
Managed Acc	5¼	101.3	101.3	108.9	+0.9	1.98
Cash Inc	0	100.54	100.54xd	100.54	+0.08	11.96
Cash Acc	0	107.36	107.36xd	107.36	+0.08	11.96
Europa	5¼	102.5	102.5	109.8	-0.9	0.00

Geoffrey Morley Unit Mgrs Ltd (1200)F
5 Bedford Park, Croydon CR0 2AQ 081-686 9818

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Exempt Unit Tst	4	118.01	118.01	125.85	+0.4	2.60
Exempt Smllr Cos	5¼	235.89	235.89xd	255.22	+0.61	1.40

Guide to pricing of Authorised Unit Trusts
Compiled with the assistance of Lautro §§

FT MANAGED FUNDS SERVICE

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Stewart Ivory Unit Tst Mgrs Ltd (1500)H
45 Charlotte Sq, Edinburgh 031-226 3271

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
American ♥	5	301.7	301.7	322.6	-1.0	1.34
(Accum Units) ♥	5	352.9	352.9	377.4	-1.2	1.34
British ♦	5	790.7	790.7xd	836.5	+1.5	5.75
(Accum Units) ♦	5	1265.9	1265.9	1339.2	+2.4	5.75
European ♦	5	334.0	334.0	356.4	-0.9	1.50
(Accum Units) ♦	5	358.0	358.0	382.0	-1.0	1.50
Japan ♦	5	123.4	123.4	131.2	+0.5	-
(Accum Units) ♦	5	124.3	124.3	132.2	+0.5	-
New Pacific ♦	5	171.4	171.4	182.5	+1.4	2.21
(Accum Units) ♦	5	172.7	172.7	183.9	+1.4	2.21
PEP	5	131.0	133.2	141.0	.....	3.60
Mngd Equity	5	120.6	122.4	129.5	.....	3.61
Mngd Equity Acc	5	124.8	126.6	134.0	.....	3.61
Mngd Cash ♦	5	96.04	96.04xd	100.8	+0.1	11.95
(Accum Units)	5	111.3	111.3	116.8	+0.1	11.95
Mngd Fixed Int Acc	5	118.5	118.5	125.5	.....	6.66
Majority Stlg	1	99.95	99.95xd	100.94	+0.07	11.21
Majority Stlg Acc	1	102.74	102.74	103.76	+0.07	11.21

Storebrand Intl Inv Mngrs Ltd (1200)F
Admin: 5 Rayleigh Rd, Hutton, Brentwood, Essex
Enquiries: 0277 227300 Dealing: 0277 261010

International Apr 19	0	49.74	49.74	50.23	.....	13.44

Sun Alliance Unit Tst Mngmt Ltd (1200)F
Sun Alliance House, Horsham 0403 56293

Equity	6	587.7	596.0	637.4	+2.5	3.37
North America	6	78.00	78.00	83.42	+0.51	1.43
Far East	6	98.29	98.29	105.1	+0.3	0.51
W'wide Bond	6	46.50	46.50xd	49.47	+0.14	6.80
W'wide Financial	6	35.29	35.29	37.74	-0.04	4.35
[illegible] Technology	6	42.91	42.91	45.89	+0.45	1.91
[illegible]	6	65.97	65.97	70.56	+0.04	1.38
[illegible] Income	6	70.35	70.35	75.24	+0.29	5.40
[illegible]	6	58.25	58.25xd	62.30	+0.18	3.30

Sun Life of Canada Unit Mgrs Ltd (1000)H
Basingview, Basingstoke, Hants 0800 525725

American Growth	6	25.93	25.93	27.74	+0.17	0.75
Managed Asset	6	103.74	104.33	111.59	+0.81	5.25
UK Income	6	34.50	35.03	37.47	.....	7.28
UK Growth	6	33.31	33.74	36.09	-0.03	2.86
Worldwide Growth	6	24.47	24.47	26.18	+0.08	1.07

Sun Life Trust Mngmt Ltd (1200)H
101, Cannon St, London EC4N 5AD
Admin & Enq: 071-606 4044 Dealing: 071-606 6010

Master Portfolio	5¼	35.38	35.38xd	37.84	+0.13	1.98
Amer Growth Acc	5¼	44.96	44.96	48.03	+0.27	0.72
Cap Protector Acc	5¼	34.28	34.28xd	36.66	+0.03	4.61
Cap Protector Inc	5¼	30.79	30.79xd	32.93	+0.03	4.61
Euro Growth Acc	5¼	58.62	58.62	62.70	-1.10	0.71

CCLF—Charities Official Inv Fdst
2 Fore Street, London EC2Y 5AQ 071-588 1815

	Bid Price	Offer Price	+ or -	Yield Gross
Income Apr 2	518.75	523.48	.....	5.48
Accum Apr 2	1838.54	1861.36	.....	-
Fixed Int Income Apr 2	110.75	110.97	.....	10.45
Fixed Int Accum Apr 2	120.10	120.34	.....	-

Deposit Account: see Money Market Trust Funds

Edinburgh Fund Mngrs PLC
Exempt Funds

American Apr 24	158.8	163.2xd	+5.9	1.59
Managed Apr 24	142.3	147.6xd	-0.3	3.90
Japan Apr 25	124.6	128.0	-0.3	0.08
Sm Jap Cos Apr 26	590.0	606.2	+13.3	0.08

Fidelity Investment Services Ltd

Mngd Pens P'folio	130.7	134.9	+0.60	3.83

Robert Fleming Asset Mngmt Ltd

Am Exempt	£473.68	480.75	-0.95	1.57
Gen Exempt	£191.11	194.05	-0.55	4.09
Jap Exempt	£501.16	511.15	+1.54	0.74
Pacific Exempt	£101.28	103.30	+0.40	2.45
Conti Euro Exempt	£96.25	98.13	-0.39	2.06
Indexed Exempt Apr 25	£126.80	129.95	.....	4.62
Amer Indxd Expt Apr 25	£105.05	106.10	.....	2.60
Japan Indxd Expt Apr 25	£68.42	69.79	.....	0.36
Euro Indxd Expt Apr 25	£95.68	97.60	.....	2.87
O'seas Indxd Expt Apr 25	£100.98	103.11	.....	2.17

Funds in Court*

Capital Apr 18	303.17	305.49xd	.....	2.04
Gross Apr 18	191.64	192.61	.....	8.83
High Yield Apr 18	303.58	305.16	.....	6.35

* Restricted to monies under Court control

Henderson Unit Trust Management Ltd

Pensions Mngd	51.08	52.99xd	+0.12	3.71

INVESCO MIM Management Ltd
Exempt Funds

Intl Mngd P'Folio	1224.0	1317.0	.....	-
Mngd Pens (Acc)	69.50	74.10	.....	-

Lazard Brothers & Co. Ltd

Property Jan 3	£2360.0	2675.0	.....	6.00
Inc Gth Prp Jan 14	£1325.0	1395.0	.....	7.20

Lazard Investors Ltd ‡‡
Exempt Funds

Assicurazioni GENERALI SpA
117 Fenchurch St, London EC3M 5DY 071-488 0733

Legal & General (Unit Pensions) Ltd
Kingswood House, Kingswood, Tadworth, Surrey 0737 370370

Merchant Investors Assurance Co Ltd — Contd.

INSURANCES

OTHER UK UNIT TRUSTS

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N & P Life Assurance Ltd
6-7 Bedford Row, London, WC1R 4UJ 071-430 2348

	Bid Price	Offer Price	+ or -	Yield Gross
Life Managed Fd	105.1	110.6	+0.2	-
Pension Managed Fd	102.2	107.6	+0.5	-
Life Deposit Fd	106.3	111.9	+0.1	-
Pension Deposit Fd	111.1	116.9	+0.1	-

National Financial Management Corp PLC
72 Gatehouse Rd, Aylesbury, HP19 3XJ 0296 395539

	Bid Price	Offer Price	+ or -	Yield Gross
Life Funds				
Managed Cautionary	110.2	121.2	—	-
Managed Growth	137.9	151.8	—	-
Managed Opportunity	136.5	152.7	—	-
NFMC Target Financial	101.4	108.5	—	-
Pension Funds				
Managed Cautionary	119	130.4	—	-
Managed Growth	144.5	159	—	-
Managed Opportunity	139	153.1	—	-
NFMC Target Mngd Pen	1503.9	1634.7	—	-

National Mutual Life
The Priory, Priory Pk, Hitchin, SG5 2DW 0462 422422

	Bid Price	Offer Price	+ or -	Yield Gross
Harvester Pension Funds				
Managed	162.4	171.0	—	-
UK Equity	170.1	179.1	—	-
Overseas Equity	139.3	146.7	—	-
Fixed Interest	143.3	150.9	—	-
Property	130.9	137.8	—	-
Index Linked	147.5	155.3	—	-
Deposit	154.4	162.6	—	-
With Profits (B)	127.1	133.8	—	-

National Provident Institution
48 Gracechurch St, London EC3P 3HH 071-623 4200

	Bid Price	Offer Price	+ or -	Yield Gross
Managed	352.3	370.9	+0.7	-
UK Equity	442.7	466.0	+1.4	-
Overseas Eq	352.0	370.6	+1.4	-
American	286.2	301.3	+0.4	-
Far East	386.0	406.4	+2.1	-

Prosperity Life Assurance Ltd
1 Sessions Hse Sq, Maidstone ME14 1XX 0622 690555

	Bid Price	Offer Price	+ or -	Yield Gross
Initial Equity	153.0	162.0	—	-
Accum Equity	238.0	250.0	—	-
Accum Managed	226.5	239.0	—	-
Accum Five Star	171.5	181.0	—	-
Accum World	123.0	130.0	—	-
Accum Lifeinc	111.5	111.5	—	-
Pens Acc Equity	237.0	250.0	—	-
Pens Acc Managed	283.5	299.0	—	-
Pens Acc Intl	214.0	225.5	—	-
Pens Acc Deposit	196.0	207.0	—	-
Pens Acc Five Star	189.0	199.5	—	-

Providence Capital Life Assc. Co Ltd
2 Bartley Way, Hook, Hants RG27 9XA 0256 768888

	Bid Price	Offer Price	+ or -	Yield Gross
UK Equity Acc	226.2	238.7	+0.2	-
UK Fixed Int Acc	170.6	180.0	+0.1	-
Intl Equities Acc	181.4	191.4	-0.1	-
UK Managed Acc	174.2	183.7	—	-
Property Acc	226.8	239.3	-0.1	-
Money Acc	127.9	135.0	+0.1	-
Special Market Acc	140.3	148.0	+0.7	-
Japan Equity Acc	110.2	116.3	+0.3	-
North American Acc	110.5	116.4	+0.9	-
Pacific Acc	98.9	104.4	+0.4	-
Technology Acc	126.4	133.4	-0.1	-
Nat Resources Acc	55.4	58.5	+0.4	-
European Acc	101.4	107.0	-0.7	-
Residential Prop Acc	96.3	101.6	—	-
Swiss Equities Acc	35.6	37.6	-0.3	-
Hong Kong Acc	63.5	67.0	+0.1	-
UK High Inc Eq Acc	74.8	79.0	—	-
Int Fixed Interest Acc	56.3	59.4	—	-
Int Managed Acc	57.6	60.7	-0.1	-
HIP Managed Acc	115.4	121.7	+0.3	-
HIP Managed II Acc	100.6	106.1	+0.2	-
HIP Managed III Acc	106.6	112.4	+0.2	-
Total Investment Bond				
UK Equity Initial		154.3	+0.1	-
UK Fixed Int Initial		116.6	+0.1	-
Intl Equities Initial		125.0	—	-
UK Managed Initial		119.0	—	-

Royal Heritage Life Assurance Ltd—Contd.

Norwich Union Asset Management Ltd

Norwich Union Life Insurance Soc.

Pearl Assurance (Unit Funds) Ltd

Pegasus Assurance Ltd

Premium Life Assurance Co Ltd

Professional Life Assurance Co Ltd

Prolific Life & Pensions Ltd

Property Equity & Life Ass. Co

Provident Life Assoc Ltd

Provident Mutual Life Assc. Assn.

Prudential Assurance Co

Prudential Holborn Life Assurance Ltd

Prudential Holborn Pensions Ltd

Prudential Pensions Limited

Regency Life Assurance Co Ltd

Reliance Mutual

Royal Heritage Life Assurance Ltd

Royal Life Insurance Ltd

Royal Liver Assurance

Save & Prosper Group

Scottish Amicable

Scottish Equitable Life Assce. Soc.

Scottish Life Investments

Scottish Mutual Assurance Society

Scottish Provident Institution

Scottish Widows' Group

Shield Assurance Ltd

Skandia Life Assurance Co Ltd

Standard Life Assurance Company

Sun Alliance Group

Sun Life of Canada (UK) Ltd

Sun Life Unit Assurance Ltd

Swiss Life (UK) PLC

Swiss Pioneer Life Plc

TSB Life Ltd

Target Life Assurance Co Ltd

Teachers' Assurance Company Ltd

Templeton Life Assurance Limited

Tunbridge Wells Equitable

Wesleyan Assurance Society

Windsor Life Assur Co Ltd

Woolwich Life Assurance Co Ltd

Zurich Life Assurance Co Ltd

OFFSHORE INSURANCES

AEtna Intl Assurance (Bermuda) Ltd

Albany International Assurance Ltd

CMI Assurance Co Ltd

CMI Insurance Co Ltd—Contd.

Eagle Star Intl Financial Services

Equitable Life (International)

Equity & Law Intl Life Assce Co Ltd

Eurolife Assurance Group

Finance International Ltd

Flaisdore Life Assurance Co Ltd

Hansard International Ltd

Isle of Man Assurance Ltd

NEL Britannia International Ltd

Premium Life International Ltd

Providence Capital International Ltd

Royal Life Intl. Ltd

Royal Skandia Life Assurance Ltd

Sun Alliance International Life

Target International Group

MANAGEMENT SERVICES

Allianz Investment Services Ltd

Bryan Wells & Partners Ltd

James Campbell Financial Services

Cisco de Vere PLC

ECU Futures Plc

Edinburgh Money Management Ltd

Fairmount Glen Fairs Ltd

Gatepost Fund Managers Ltd

Henderson Fund Services (CI) Ltd

IPS Lamont PLC

Independent Financial Group PLC

Jardine Fund Managers Ltd

Knight Williams & Company Ltd

Macartney & Powis F.S. Ltd

Northgate Stage & Partners

Old Pond Management Ltd

Pendletons Fund Financial Services Ltd

Rensburgh Financial Management Ltd

Shane (Albert E) & Co.

Sitara Fund Managers Limited

Charles Stanley & Co Ltd

Torey Law & Co

J. R. Ward Financial Services Ltd

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

Adams & Neville Fund Mngt (Guernsey) Ltd

Hambros Fd Mgrs (CI) Ltd

Leopold Joseph Fund Mngmt (Guernsey) Ltd

Kleinwort Benson Intl Fd Mngrs Ltd

Lazard Fund Mngrs (Channel Islands) Ltd

Lion World Fixed Income Fund

Lloyds Intl Money Market Fund Ltd

M & G (Guernsey) Ltd

Prolific International Mgmt Ltd

Rothschild Asset Management (CI) Ltd

Royal Bank of Canada Funds

Sarasin Funds Mngmt (Guernsey) Ltd

Schroder Investment Mngmt (Guernsey) Ltd

GUERNSEY (REGULATED)

Adams & Neville Fund Mngt (Guernsey) Ltd

Arab Bank Fund Managers (Guernsey) Ltd

Bachmann Global Investment Fund Ltd

Credit Suisse Asset Mngmt (Guernsey) Ltd

Fleet-Consult Fund Mngrs (Guernsey) Ltd

John Govett Management International Ltd

Hambros Fund Managers (CI) Ltd

Henderson Admin. (Guernsey)

Hill Samuel Fd. Mngrs. (Guernsey) Ltd

Holborn Fund Management (Guernsey) Ltd

Kleinwort Benson Islands Fd Mgmt Ltd

Lazard Fund Managers (CI) Ltd

Merrill Lynch Guernsey

Nikko Capital Mngt (Europe) Ltd

Saudi International (Guernsey) Ltd

Schroder Investment Mngmt (Guernsey) Ltd

Standard Fund Mngrs Ltd

JERSEY (SIB RECOGNISED)

هكذا من الأصل

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline. Calls charged at 46p per minute peak and 34p off peak, inc VAT. To obtain your free Unit Trust Code Booklet ring (071) 925-2128.

	Bid Price	Offer Price	+ or −	Yield Gross
U.S. Treasury Securities Fund Ltd				
Short Term Shares	$738.93		—	—
Fixed Income Shares	$882.25		—	—
Yamaichi Capital Mangmt (Guernsey) Ltd				
Japan Warr Growth	$10.79		−0.07	—
Yamaichi (G) Fund	$7.92		−0.06	—
Yamaichi Offshore Fund	$8.45		−0.06	—
Thai Inv Fund	$11.61		—	—

IRELAND (SIB RECOGNISED)

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or −	Yield Gr's
GAM Fund Management Ltd (a)						
20 Kildare Street, Dublin 010 353 1760 630						
GAM Universal $ Acc		$—	111.05		—	—
GAM Universal $ Inc		$—	111.05		—	—
GAM Universal DM Acc		DM—	119.86		—	—
GAM Universal DM Inc		DM—	119.86		—	—
MI Global Asset Mngmt Co Ltd "MI Trusts"						
MI Global Dollar		$—	0.98	1.041	—	—

IRELAND (REGULATED)(**)

	Bid Price	Offer Price	+ or −	Yield Gross
Bank of Ireland Unit Managers Ltd				
Global Bond	$9.79	10.09	—	—

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or −	Yield Gr's
Hill Samuel Fund Mgrs (Jsy) Ltd (1000)F						
PO Box 63, Bond Street, St. Helier, Jersey 0534 76029						
Stlg Fixed Inc	5½	£1.135	1.135	1.205		9.42
Global Equity Fund	5½	$14.39	14.39	15.39		1.05
European Equity	5½		18.27	19.54		0.77
Nth American Eqty	5½	$10.17	10.17	10.88		0.42
Far Eastern Eqty	5½	$10.69	10.88	11.64		0.00
International Mngd	5½	$10.83	10.83	11.50	—	0.24
Sterling Managed	5½	£10.51	10.51	11.20		0.57
US Dollar Managed	5½	$12.99	12.99	13.83		0.81
Sterling Managed ‡	5½	£26.10	26.10	27.62	+0.04	—
US Dollar Managed ‡	5½	$29.39	29.39	31.10		—
Sterling ◆ ‡	0	£24.76	24.76	24.76		11.41
US Dollar ◆ ‡	0	$37.81	37.81	37.81		4.97
Deutschmark ◆ ‡	0		59.66	59.66	+0.03	7.66
Swiss Franc ◆ ‡	0		46.46	46.46	+0.02	7.02
Irish Punt ◆ ‡	0		22.05	22.05	+0.01	6.43
INVESCO MIM International (Jersey) Ltd						
PO Box 271, St Helier, Jersey 0534 73114						
Lloyds Bank (CI) U/T Mgrs.						
PO Box 195, St Helier, Jersey 0534 27561						
Dealing daily						
Midland Bank Fund Managers (Jersey) Ltd						
PO Box 26, St Helier, Jersey 0534 606000						

For MIM see INVESCO MIM

Royal Trust Jsy Fd Mngt Ltd (1400)F

PO Box 428, St Helier, Jersey 0534 76077

TSB Trust Funds (CI)

PO Box 538, St Helier, Jersey 0534 73494

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

LONDON SHARE SERVICE

AMERICANS

1991 High	Low	Stock	Price £	+ or −	Div Gross	C'vr	Y'ld Gr's
30¾	20¾	Abbott Laboratories‖	30¾	+¼	$1.00	–	1.9
363p	257p	♦Allegheny & W 1c	314p	+10	30c	–	5.6
972p	667p	Amdahl 5c	955pxd	+10	10c	–	0.6
34⅝	25¼	Amer. Cyanamid $5	34⅞	+⅛	$1.50	–	2.5
17⅜	9⅛	Amer. Express 60c	17⅞xd	−⅛	92c	–	3.2
22⅞	15¼	American T. & T. $1	22⅞xd	+⅛	$1.32	–	3.4
38⅞	32½	Ameritech $1	38¼	+¼	$3.16	–	4.9
273p	167p	♦Astamerica Equities‖	263p	.....	–	–	–
22¾	12⅞	BankAmerica $1⅞	22⅜xd	+¼	$1.20	–	3.1
28¾	20⅛	Bankers N.Y. $1	28½xd	.....	$1.52	–	10.2
29¾	24¼	Bell Atlantic $1	28½xd	+½	$2.36	–	4.9
31¼	25	BellSouth Corp.	31	+¼	$2.68	–	5.1
8½	6⅞	♦Bethlehem Steel $8	8½xd	+¼	40c	–	2.8
1536p	1046p	Bowater Inc.	1456p	−28	$1.20	–	4.9
8¾	4½	Brunswick 75c	8¼xd	.....	44c	–	3.2
51¼	37⅞	CPC Intnl. 25c	51½xd	+2⅛	$2.00	–	2.3
852p	420p	California Engy	852p	.....	–	–	–
50	28¼	Campbell Soup 15c	50xd	+2⅛	$1.16	–	1.4
11½	5⅞	Chase Manhattan $12½	11½xd	.....	$1.20	–	6.4
8⅞	5½	Chrysler $6¼	8⅛xd	+¼	60c	–	4.3
9¾	5⅞	Citicorp $1	9⅝xd	.....	$1.00	–	6.3
48½	34⅞	Colgate-Palmolive $1	47⅞xd	+¼	$2.12	–	2.6
820p	438p	Cont'l Bank Corp $4	886p	−14	$1.00	–	7.3
85p	45p	♦Corporate Data Sciences	85p	.....	–	–	–
18¾	13⅞	Dana Corp. $1	18¾	+⅛	$1.60	–	5.1
1056p	203p	Data General	1023p	−33	–	–	–
29	20¼	Dun & Bradstreet $1	28¾	+⅛	$2.16	–	4.5
35½	24¼	Eaton Corpn. 50c	35¼	−¼	$2.20	–	–
7½	5½	Echlin Inc.	6½xd	−⅛	70c	–	6.4
17⅞	14⅞	FPL Group 1c	17⅞xd	+⅛	$2.36	–	7.8
28⅞	17⅞	Fluor Corp 62½pc	28¼xd	−⅛	32c	–	0.7
19¾	13¼	Ford Motor $1	19½xd	+⅛	$1.60	–	3.0
43⅞	28⅞	Gen. Elect. 63c	42⅞	+½	$2.04	–	2.8
439p	270p	♦General Host Corp $1	381p	−4	34c	–	5.3
45¼	29¾	Gillette $1	42½	+⅛	$1.24	–	1.7
91p	35p	Gt. American Bank $1	37p	−4	–	–	–
20½	12¾	Greyhound Dial $1½	20½xd	.....	$1.32	–	4.1
17	794p	Hasbro Inc 50c	16¼	.....	20c	–	0.7
36½	21¼	Honeywell $1½	34⅞	+⅜	$1.50	–	2.5
22¼	17⅞	Houston Inds.‖	22⅛	+⅛	$2.96	–	7.9
72⅞	55⅞	IBM Corpn $1¼	64⅞xd	+⅛	$4.84	–	4.5
28⅞	18⅞	Ingersoll-Rand $2	27⅞	−⅛	$1.32	–	2.8
25¾	16⅝	Lockheed Crpn. $1	25⅝xd	+½	$1.80	–	4.2
3¼	2¼	Lone Star Inds $1	3¼xd	+⅛	$1.90	–	–
24⅞	18⅛	Louisiana Land 15c	23⅞	−⅛	$1.00	–	2.5
2000p	1245p	Lowe's 50c	2008p	+58	52c	–	1.5
16⅝	9½	Manuf. Hanover $1	15⅞xd	+⅛	$3.28	–	12.2
24⅞	10⅞	Merrill Lynch $1	22⅞xd	+⅛	$1.00	–	2.6
18⅞	11½	Molex Inc.	17⅞	−⅛	4c	–	0.1
31⅞	21⅞	Morgan (JP) $2½	30⅞xd	−⅛	$1.98	–	3.8
40⅞	25⅞	Morris (Philip)	40⅞xd	+⅛	$1.72	–	2.5
43¼	39	NYNEX $1	43¼	+¼	$4.56	–	6.2
89p	42p	♦Pac. Agricultural	42p	.....	–	–	–
21⅞	11⅞	Pall Corp. 25c	19½	−⅛	144c	–	1.3
44¼	33¼	Pennzoil $3 1/3c	43¼xd	+⅛	$3.00	–	4.1
34½	24⅞	Quaker Oats $5	33⅞xd	.....	$1.56	–	2.7
36⅞	24⅞	Rep NY Corpn $5	36⅞xd	.....	$1.40	–	2.3
16¾	12¼	Rockwell Intl. $1	16¾	.....	86c	–	3.3
22⅞	12⅞	Sears, Roebuck 75c	22⅞xd	+⅛	$2.00	–	5.2
32	25⅝	Southwestern Bell $1	31⅛xd	+⅛	$2.84	–	5.3
20¼	14⅞	Sun Co. Inc. $1	19½xd	.....	$1.80	–	5.5
23½	16¼	TRW Inc. 62½c	22¼xd	.....	$1.80	–	4.6
26⅞	21¼	Tenneco $5	25½xd	.....	$3.20	–	7.0
40½	29⅞	Texaco $6.25	40½xd	.....	$3.20	–	4.7
26¼	17¼	Texas Instr. $1	24⅞xd	.....	72c	–	1.7
68¼	41⅞	Time Warner $1	68xd	.....	$1.00	–	0.9
14½	8⅞	TRINOVA Corp.	13¼xd	.....	68c	–	2.9
19⅞	14¼	USX $1	19½xd	+⅛	$1.40	–	4.3
390p	250p	♦Unitab	390p	.....	–	–	–
27½	22⅜	Utd. Technologies	27⅞xd	+⅛	$1.80	–	3.9
60p	42p	♦Utilitech Inc.	60p	.....	–	–	–
23	18¼	US West‖	22¾	+¼	$2.08	–	5.4
23¾	16¾	Waste Management $1	23⅞xd	−⅛	36c	–	0.9
1865p	1053p	Whirlpool $1	1747p	−41	$1.10	–	3.7
19¼	13½	♦Woolworth $3½	19⅛	.....	$1.08	–	3.3

CANADIANS

1991 High	Low	Stock	Price £	+ or −	Div Gross	C'vr	Y'ld Gr's
10p	8½p	♦Abbot Energy Corp.	10p	.....	–	–	–
1179p	953p	♦Amer. Barrick Res.	1148p	−9	8c	–	0.4
18¾	13	Bk. Montreal ‖	18¾	+⅛	$2.12	–	5.7
823p	536p	Bk. Nova Scot. ‖	823pxd	+10	$1.00	–	6.2
745p	639p	♦BC Gas $1	745p	.....	60c	–	4.1
21¼	17¼	BCE ‖	21¼	+¼	$2.56	–	6.2
10	647p	♦Brascan‖	991p	−8	$1.04	–	5.3
36p	19½p	♦Breakwater Res.	36p	+8	10c	–	14.2
1608p	1180p	Can.Imp Bank‖	1607p	+5	$1.32	–	4.2
10¾	855p	Can. Pacific ‖	10¾	+¼	92c	–	4.3
34	30	Do. 4pc Deb £100	33	.....	Q4%	–	13.2
314p	170p	♦Central Cap 'A' ‖	314p	.....	60c	–	9.7
250p	197p	♦Cons TVX Min.	234p	.....	–	–	–
269p	158p	♦Corona Corp.	241p	.....	a13.3c	–	2.8

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS – Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY AND STORES – Contd

ELECTRICALS

ELECTRICITY

ENGINEERING

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.) – Contd

INDUSTRIALS (Miscel.) – Contd.

INSURANCES

LONDON SHARE SERVICE

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LEISURE

1991 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
452	155	Airtours 10p	445	+10	8.25	3.1	2.5	17.5
113	73	Allied Leis. 5p	101	.....	4.75	3.5	6.4	7.0
246	185	Anglia TV	195	.....	9.26	♦	6.3	♦
31	16	Avesco 1p	25	−1	1.5	3.9	8.0	3.5
9	4½	BCE Hldgs 5p	5½	.....	–	–	–	–
175	123	Barr & W.A.T. 'A'	173	+3	9.75	1.6	7.8	10.7
685	425	Boosey & Hawkes	670	.....	16.4	2.7	3.3	13.4
40	24	Border T.V.	38½	.....	2.1	1.1	7.3	17.2
88	45½	Brent Walker 10p	68	+1	15.0	6.9	–	0.5
28	17	Do 6pc Cr Cnv Rd Pf £1	20	.....	6.0	–	40.0	–
55	43	Buckingham Int'l. 10p	48	.....	2.1	♦	5.8	♦
341	183	Campari Int. 20p	341	+2	11.0	2.9	4.3	9.3
208	134	Capital Radio 2½p	208	.....	5.25	2.9	3.5	13.1
503	350	Carlton Cmtns 5p	447	−4	14.1	2.9	4.2	10.7
81	61	Do. 6.5p Prf 5p	76	+1	6.5	–	11.4	–
253	168	Castle Comms. 5p	240	.....	8.5	1.7	4.7	16.1
575	480	Central ITV	569	.....	28.5	2.6	6.7	7.6
142	120	Chiltern Radio 10p	138	.....	4.8	2.6	4.6	10.6
89	39	Chrysalis	80	+1	2.0	–	3.3	–
69	39½	Citywision 5p	52	.....	1.0	7.0	2.6	6.9
5½	3	Classic Th'ireals Ir0.20	5½	.....	–	–	–	–
468	361	Compass Group 5p	430	.....	10.35	2.8	3.2	15.0
1210	908	Euro Disney Fr10	1175	+32	–	–	–	–
30	13	European Leis. Ir25p	23	+1	1.7	2.2	10.1	3.8
37½	22	Ex Lands 10p	36	.....	–	–	–	–
47	21½	Expedier 20p	39	−1	1.0	♦	3.5	♦
563	405	Fairline Boats 10p	548	.....	21.0	4.1	5.1	6.4

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRANSPORT

[illegible]

TRANSPORT—Contd

[illegible]

INVESTMENT TRUST

[illegible]

INVESTMENT TRUST—Contd

[illegible]

Net asset values supplied by County NatWest Wood Mackenzie

FINANCE, LAND, ETC

[illegible]

WATER

[illegible]

OIL AND GAS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

MINES—Contd

[illegible]

Tins

[illegible]

Miscellaneous

[illegible]

NOTES

[illegible]

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

[illegible]

IRISH

[illegible]

TRADITIONAL OPTIONS

3-month call rates

Industrials

[illegible]

Property

[illegible]

Oils

[illegible]

Mines

[illegible]

[illegible]

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar finishes below peak

THE DOLLAR touched a peak of DM1.7825 in Europe yesterday after the weekend Group of Seven meeting failed to present a united front aimed at limiting the currency's advance.

The market took this as a green light to push it higher, suggesting that the dollar was heading for DM1.80, but it ran out of steam before the close of trading in London. Dealers said there was some uncertainty about direction in the early European morning, but when the central banks did not intervene the dollar moved up sharply.

Its failure to attack DM1.80 and a lack of follow through commercial demand led to retrenchment later in the day. The downward trend continued in New York, immediately after the London close, taking it down to DM1.7500, and leading to comments that the currency may have peaked at DM1.7825 for the time being.

At the London close the dollar had climbed to DM1.7690 from DM1.7545; to SFr1.4840 from SFr1.4785; and to FFr5.9650 from FFr5.9200, but had fallen to Y137.60 from Y138.15. On Bank of England figures its index rose to 67.2 from 66.8.

The D-Mark remained among the group of weaker currencies in the European exchange rate mechanism, losing ground to the pound, French franc and Italian lira. It also fell to Y77.80 from Y78.75 against the Japanese yen.

Uncertainty continues about the prospects for interest rates. A joint report from Germany's leading economic research institutes said continuing threats to inflation were no reason for tighter monetary policies from the Bundesbank.

Referring to the problems caused by unification, it argued that a rise in indirect taxation produces a one-off rise in prices and did not represent a sustained acceleration in inflation, while high budget deficits are also no reason for the Bundesbank to reduce the supply of money.

The report also warned that higher interest rates could slow economic growth and claimed that high wage claims, which outstripped productivity, would be inflationary only if financed by the injection of extra funds from the central bank.

At the same time Mr Helmut Geiger, president of the German Association of Savings Banks, said a cut in rates will not take place this year, and "next year too there will be no considerable easing."

At this week's securities repurchase agreement tender the Bundesbank has offered one-month money at an unchanged fixed rate of 8.60 per cent.

Sterling fell 90 points to \$1.6770 and delined to Y230.75 from Y233.00 and to SFr2.4875 from SFr2.4925, but rose to DM2.9675 from DM2.9575 and to FFr10.0025 from FFr9.9800.

The pound's index eased 0.1 to 90.7, but it rose to third from fourth strongest place in the ERM. Trading was nervous ahead of Thursday's local government elections in England and Wales.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Apr 29	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Spanish Peseta	133.631	127.071	-4.91	6.16	85
Italian Lira	1538.24	1523.15	-0.98	1.95	56
Belgian Franc	42.4032	42.4135	0.02	0.93	6
Sterling	0.696904	0.695008	-0.27	1.23	4
Dutch Guilder	2.31643	2.32443	0.35	0.60	-10
D-Mark	2.05586	2.06347	0.37	0.58	-14
Danish Krone	7.84195	7.88299	0.52	0.43	-17
Irish Punt	0.767417	0.771234	0.50	0.45	-16
French Franc	6.89509	6.96072	0.95	0.00	-44

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate. Adjustment calculated by Financial Times.

£ IN NEW YORK

Apr 29	Latest	Previous Close
£ Spot	1.6800-1.6810	1.6880-1.6890
1 month	0.87-0.85pm	0.83-0.81pm
3 months	2.32-2.27pm	2.32-2.30pm
12 months	6.90-6.80pm	7.00-6.98pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

[illegible]

CURRENCY MOVEMENTS

[illegible]

CURRENCY RATES

[illegible]

OTHER CURRENCIES

[illegible]

Luxembourg	61.05 - 61.15	36.40 - 36.50
Malaysia	4.6200 - 4.6280	2.7625 - 2.7645
Mexico	5006.00 - 5020.00	2995.00 - 3005.00
N Zealand	2.8580 - 2.8630	1.7075 - 1.7105
Saudi Ar	6.2325 - 6.2790	3.7490 - 3.7510
Singapore	2.9745 - 2.9815	1.7825 - 1.7845
S Af (Cm)	4.7030 - 4.7145	2.8115 - 2.8130
S Af (Fn)	5.5435 - 5.6365	3.3115 - 3.3670
Taiwan	42.85 - 42.95	25.60 - 25.65
U.A.E.	6.1020 - 6.1495	3.6720 - 3.6740

* Selling rate

POUND SPOT - FORWARD AGAINST THE POUND

[illegible]

Commercial rates taken towards the end of London trading. Six-month forward dollar 4.10-4.05cpm. 12 Month 6.92-6.82pm

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

[illegible]

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EURO-CURRENCY INTEREST RATES

Apr 29	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
US Dollar	6 - 5⅞	6 - 5⅞	[illegible]	[illegible]	[illegible]	[illegible]
Can. Dollar	[illegible]	9¼ - 9	[illegible]	[illegible]	[illegible]	9¼ - 9
Dutch Guilder	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Swiss Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D-Mark	[illegible]	[illegible]	9 - 8⅞	[illegible]	[illegible]	[illegible]
French Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italian Lira	13 - 11	12 - 11	[illegible]	[illegible]	[illegible]	[illegible]
Belgian Franc	[illegible]	9 - 8¾	[illegible]	[illegible]	[illegible]	[illegible]
Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Danish Krone	[illegible]	[illegible]	[illegible]	[illegible]	10 - 9⅞	10 - 9⅞
Asian $Sing	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Long term Eurodollars: two years 7½-7⅜ per cent; three years 7⅞-7¾ per cent; four years 8¼-8⅛ per cent; five years 8½-8⅜ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Apr 29	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C$	B Fr.	ECU
£	1	1.6770	2.9675	230.75	10.003	2.4875	3.3400	2190.	1.9315	61.10	1.4430
$	0.060	1	1.770	13.76	0.596	1.483	1.992	130.6	1.152	3.643	0.860
DM	0.034	0.565	1	7.776	0.337	0.838	1.126	73.80	0.651	2.059	0.486
YEN	4.334	72.68	128.6	1000.	43.35	107.8	144.7	9491	83.71	264.8	62.54
F Fr.	1.000	16.76	29.67	230.7	10.	24.87	33.39	2189	19.31	61.08	14.43
S Fr.	0.040	0.674	1.193	9.276	0.402	1	1.343	88.04	0.776	2.456	0.580
H Fl.	0.030	0.502	0.888	6.909	0.299	0.745	1	65.57	0.578	1.829	0.432
Lira	0.457	7.658	13.55	105.4	4.568	11.36	15.25	1000.	8.820	27.90	6.589
C$	0.052	0.868	1.536	11.95	0.518	1.288	1.729	113.4	1	3.163	0.747
B Fr.	1.637	27.45	48.57	377.7	16.37	40.71	54.66	3584	31.61	100.	23.62
ECU	0.069	1.162	2.056	15.99	0.693	1.724	2.315	151.8	1.339	4.234	1

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES AND OPTIONS

LIFFE LONG GILT FUTURES OPTIONS [illegible]

LIFFE US TREASURY BOND FUTURES OPTIONS [illegible]

LIFFE BUND FUTURES OPTIONS [illegible]

LIFFE EUROMARK OPTIONS [illegible]

LIFFE EURODOLLAR OPTIONS [illegible]

LIFFE SHORT STERLING OPTIONS [illegible]

LONDON (LIFFE)

[illegible]

CHICAGO

[illegible]

OPTION ON LONG-TERM FRENCH BOND (MATIF)

Strike	Calls June	Calls Sept.	Calls Dec.	Puts June	Puts Sept.	Puts Dec.
103	-	-	-	0.02	0.28	-
104	-	-	-	0.06	0.44	-
105	1.82	-	-	0.14	0.70	-
106	1.06	1.74	-	0.33	1.02	-
107	0.51	1.21	-	0.77	1.50	-
108	0.20	0.80	-	-	-	-
Open Int.	123,852	42,214	1,501	130,679	47,742	1,601

Estimated volume 20,347 Total Open Interest 347,589

POUND - DOLLAR

FT FOREIGN EXCHANGE RATES

[illegible]

BASE LENDING RATES

	%		%		%
ABN Bank	12	Comm. Bk. of London Plc	12	McDonnell Douglas Bnk.	12
Adam & Company	12	Co-operative Bank	12	Midland Bank	12
Allied Trust Bank	12	Coutts & Co	12	Mount Banking	12
AIB Bank	12	Cyprus Popular Bk	12	Nat Bk. of Kuwait	13½
● Henry Ansbacher	12	Dunbar Bank PLC	12	NatWestminster	12
B & C Merchant Bank	12	Duncan Lawrie	12	Northern Bank Ltd	12
Bank of Baroda	12	Equatorial Bank plc	12½	Nykredit Mortgage Bank	12½
Banco Bilbao Vizcaya	12	Exeter Bank Limited	12½	Provincial Bank PLC	14
Bank Credit & Comm	12	Financial & Gen. Bank	12	Roxburghe Bank Ltd.	13½
Bank of Cyprus	12	First National Bank Plc.	15	Royal Bk of Scotland	12
Bank of Ireland	12	● Robert Fleming & Co.	12	● Smith & Williamson Secs.	12
Bank of India	12	Robert Fraser & Ptnrs.	12½	Standard Chartered	12
Bank of Scotland	12	Girobank	12	TSB	12
Banque Belge Ltd	12	● Guinness Mahon	12	Unibank plc	12
Barclays Bank	12	● Hambros Bank	12	● United Bk of Kuwait	12
Benchmark Bank	12	Hampshire Trust Plc	13½	United Mizrahi Bank	12½
Brit Bk of Mid East	12	Heritable & Gen Inv Bnk.	12	Unity Trust Bank Plc	12
● Brown Shipley	12	● Hill Samuel	12	Western Trust	12
CL Bank Nederland	12	C. Hoare & Co.	12	Westpac Bank Corp.	12
● Charterhouse Bank	12	Hongkong & Shanghai	12	Whiteaway Laidlaw	12
Citibank NA	12	● Leopold Joseph & Sons	12	Yorkshire Bank	12
City Merchants Bank	12	Lloyds Bank	12		
Clydesdale Bank	12	Meghraj Bank Ltd	12		

● Members of British Merchant Banking & Securities Houses Association.

MONEY MARKETS

An optimistic tone

SHORT STERLING futures rose on Liffe and wholesale interest rates eased in London as optimism increased about another cut in UK bank base rates.

This view was not encouraged by the Bank of England however. The central bank took out the full underlying credit shortage on the money market, but not until late in the day, tending to keep the short end tight.

Traders on Liffe pointed out that before yesterday's move June short sterling was discounting no more than a cut of ½ point in base rates over the next six week's. But a weak UK economy and speculation about an early general election point towards the possibility of more. Thursday's local government elections are expected to provide important guidance on the timing of a general election.

June short sterling opened firmer at 88.66. This was also the day's low, with the contract moving outside its recent tight range, to touch a peak of 88.76 before closing 88.75 against 88.62 previously.

Three-month interbank eased to 11⅝-11⁹⁄₁₆ from 11⅞-11¾ per cent, with 12-month money quoted at 11⁷⁄₁₆-11⁵⁄₁₆ against 11⅝-11½ per cent.

The Bank of England initially forecast a day-to-day credit shortage of £700m, but revised this to £650m at noon and back to £700m in the afternoon. Total assistance of £767m was provided.

Before lunch the authorities bought only £85m bills outright, by way of £21m bank bills in band 1 at 11⅞ per cent and £64m bank bills in band 2 at 11⅞ per cent.

In the afternoon another £317m bills were purchased, via £242m bank bills in band 1 at 11⅞ per cent and £75m bank bills in band 2 at 11⅞ per cent. Late help of around £365m was also provided.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £1,401m, with bank balances below target absorbing £135m. These outweighed exchequer transactions adding £265m to liquidity and a fall in the note circulation of £570m.

In Frankfurt call money was steady at 8.95 per cent, waiting for the result of this week's securities repurchase agreement tender by the Bundesbank. A two-tranche tender has been set, with 34-day money available at an unchanged fixed rate of 8.60 per cent and 62-day funds on offer at variable bid rates.

UK clearing bank base lending rate 12 per cent from April 12, 1991

FT LONDON INTERBANK FIXING

(11.00 a.m. Apr.29) 3 months US dollars		6 months US Dollars	
bid 6⅛	offer 6¼	bid 6⅛	offer 6¼

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK — Treasury Bills and Bonds

Lunchtime					
Prime rate	9	One month	5.64	Three year	7.16
Broker loan rate	7½	Two month	-	Four year	7.40
Fed funds	5⅞	Three month	5.77	Five year	7.68
Fed. funds at intervention	-	Six month	5.95	Seven year	7.93
		One year	6.17	10-year	8.06
		Two year	6.90	30-year	8.21

Apr.29	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	8.90-9.00	8.85-9.00	8.95-9.10	9.00-9.15	9.10-9.25	9.00
Paris	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.25
Zurich	[illegible]	[illegible]	-	[illegible]	-	-
Amsterdam	9.13-9.25	9.00-9.10	-	9.10-9.20	-	-
Tokyo	-	-	-	-	-	-
Milan	[illegible]	[illegible]	-	[illegible]	-	-
Brussels	8.93-9.06	[illegible]	-	[illegible]	-	-
Dublin	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-

LONDON MONEY RATES

Apr 29	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	13½	12	[illegible]	[illegible]	[illegible]	[illegible]
Interbank Bid	5	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling CDs	-	-	[illegible]	[illegible]	[illegible]	[illegible]
Local Authority Deps.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps	[illegible]	[illegible]	[illegible]	[illegible]	-	-
Company Deposits	-	-	12	[illegible]	[illegible]	11½
Finance House Deposits	-	-	[illegible]	[illegible]	11½	[illegible]
Treasury Bills (Buy)	-	-	11½	[illegible]	[illegible]	-
Bank Bills (Buy)	-	-	11½	[illegible]	[illegible]	-
Fine Trade Bills (Buy)	-	-	[illegible]	[illegible]	[illegible]	-
Dollar CDs	-	-	6.03	6.07	6.20	6.63
SDR Linked Dep. Offer	-	-	[illegible]	[illegible]	[illegible]	[illegible]
SDR Linked Dep. Bid	-	-	[illegible]	[illegible]	[illegible]	[illegible]
ECU Linked Dep. Offer	-	-	[illegible]	[illegible]	[illegible]	[illegible]
ECU Linked Dep. Bid	-	-	9½	9½	[illegible]	[illegible]

Treasury Bills (sell); one-month 11⅜ per cent; three months 11¼ per cent; six months 10⅞ per cent; Bank Bills (sell): one-month 11⅞ per cent; three months 11⅝ per cent; Treasury Bills: Average tender rate of discount 11.1700 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day April 30, 1991. Agreed rates for period May 26,1991 to June 25, 1991, Scheme I: 13.07 p.c., Schemes II & III: 13.32 p.c. Reference rate for period March 29,1991 to April 30, 1991, Scheme IV&V: 12.024 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 13 from April 1, 1991: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 8½ per cent; one-three months 11 per cent; three-six months 10½ per cent; six-nine months 10 per cent; nine-twelve months 9½ per cent; Under £100,000 8½ per cent from April 15,1991, Deposits withdrawn for cash 5 per cent.

LEGAL NOTICES

CRONITE ALLOYS LIMITED

Registered number: 1090182
Nature of business: Scrap Metal Dealers.
Trade classification: 45
Date of appointment of joint administrative receiver: 22 April 1991
Name of person appointing the joint administrative receivers: Barclays Bank Plc
JOHN FREDERICK POWELL and DAVID JOHN STOKES
Joint Administrative Receivers
(Office holder nos 249 and 300) of Cork Gully
43 Temple Row
Birmingham B2 5JT

ABTEX LTD

Registered number: 2429627
Nature of business: Fire Extinguisher Manufacturer
Trade classification: 11
Date of appointment of joint administrative receivers: 22 April 1991
Name of person appointing the joint administrative receivers: Barclays Bank Plc
JOHN FREDERICK POWELL AND IAN NAPIER CARRUTHERS
Joint Administrative Receivers
(Office holder nos 249 and 814) of Cork Gully
43 Temple Row
Birmingham B2 5JT

FRESH MEAT WHOLESALERS (DUDLEY) LIMITED

Registered number: 1545555
Nature of business: Fresh meat wholesalers
Trade classification: 12
Date of appointment of joint administrative receivers: 22 April 1991
Name of person appointing the joint administrative receivers: Lloyds Bank Plc
IAN NAPIER CARRUTHERS and DAVID ROBERT WILTON
Joint Administrative Receivers
(Office holder nos 814 and 292) of Cork Gully, 43 Temple Row, Birmingham B2 5JT

CLUBS

MONEY MARKET FUNDS

Money Market Trust Funds

[illegible]

Money Market Bank Accounts

[illegible]

JOTTER PAD

CROSSWORD

No.7,531 Set by GRIFFIN

ACROSS

1 Penny from Chard broadcast an apology for swearing (6,2,6)
10 Type of man taking a degree (5)
11 Motorists use it for a change (4,5)
12 Now passing short engineers taking a pole in (7)
13 Expert students in quarters, part of aeroplane (7)
14 To deliver tar in it is mad (5)
16 A user upset about saucy cracks (9)
19 Didn't get out of pit in time? (9)
20 Keys to drug warehouse (5)
22 Slips birds cake without a filling (7)
25 Like a ray swallows sea, we're told, when searching (7)
27 Old country under reconstruction is by N.Asia (9)
28 Call out approval when seized by a woman! (5)
29 A gas man has used stewed food for dinner (7,3,4)

DOWN

2 Excellent naval officer embraces black sweetheart (9)
3 Dullard expected NCO, having dropped round, to enter (5)
4 Horrible experience might turn into near disaster (9)
5 Said "why bring in pine?" (5)
6 Looking angry about seat being moved elsewhere (9)
7 Christmas boxes, very original! (5)
8 Tackle char caught leaving Scottish lake (7)
9 Shopkeeper talked of twelve dozen with hesitation (6)
15 Mixture sipped, say, for heartburn (9)
17 Amuse with record (Tina Turner?) (9)
18 Greedy artist promises to pay, admitting cover-up (9)
19 Bans unfashionable regulations (7)
21 Instruct engineers to raise counter (6)
23 Being shy, turned up with fur (5)
24 Because it's wrong before church? (5)
26 Vision of sovereign in furious uprising (5)

Solution to Puzzle No.7,530

WRENCH ENTRAP / REMAINS PRAYERS / ALLTHESAME OVER / DICED HOBBUDIES / GRIDIRON UNCLE / ACTS AIDEDECAMP / DISEASE RESORTS / NUTMEG ASCEND

WORLD STOCK MARKETS

CANADA

TORONTO

3:00 pm prices April 29

MONTREAL

3:00 pm prices April 29

Total Sales 10,402,800 shares

INDICES

NEW YORK

DOW JONES	Apr. 29	Apr. 26	Apr. 25	Apr. 24	1991 HIGH	1991 LOW	Since compilation HIGH	Since compilation LOW
◊Industrials	2912.38	2921.04	2949.51	2930.45	3004.46 (17/4)	2470.30 (9/1)	3004.46 (17/4/91)	41.22 (2/7/32)
Home Bonds	94.11	94.10	94.19	94.10	94.86 (15/2)	91.30 (16/1)	95.51 (9/2/87)	54.99 (1/10/81)
Transport	1166.08	1170.13	1171.02	1157.09	1178.07 (18/4)	894.30 (7/1)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	209.82	209.38	210.39	209.51	220.89 (16/4)	199.64 (16/1)	236.23 (2/1/90)	10.50 (8/4/32)

◊Day's High 2934.90 (2958.42) Low 2888.61 (2905.20)

STANDARD AND POOR'S

	Apr. 29	Apr. 26	Apr. 25	Apr. 24	1991 HIGH	1991 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	379.02	379.25	382.76	381.76	390.45 (17/4)	311.49 (9/1)	390.45 (17/4/91)	4.40 (1/6/32)
Industrials	449.86	450.13	454.25	452.99	463.23 (18/4)	364.90 (9/1)	463.23 (18/4/91)	3.62 (21/6/32)
Financial	30.20	30.28	30.65	30.59	31.58 (18/4)	21.96 (9/1)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	207.27	207.50	209.17	208.68	213.21 (17/4)	170.97 (9/1)	213.21 (17/4/91)	4.46 (25/4/42)
Amex Mkt. Value	363.87	364.20	365.03	365.70	373.40 (18/4)	296.72 (14/1)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	494.64	496.03	498.45	496.08	511.31 (17/4)	355.75 (14/1)	511.31 (17/4/91)	54.87 (31/10/72)

	Apr.19	Apr.12	Apr.5	year ago (approx.)
Dow Industrial Div. Yield	3.40	3.45	3.48	4.07

	Apr.24	Apr.17	Apr.10	year ago (approx.)
S & P Industrial div. yield	2.74	2.69	2.85	3.12
S & P Indl. P/E ratio	18.70	19.07	18.17	15.27

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day
Saatchi	10,304,100	1⅛	---
Compaq	3,127,900	50⅞	- 1¼
Merrill Lynch	2,453,700	38⅝	---
Southern	1,893,700	27½	- ⅛
Citicorp	1,861,100	15⅝	---
AT & T	1,740,500	38	+ ⅛
Boeing	1,709,100	46⅛	- 1½
LVI Grp.	1,423,400	⅛	---
Nabisco (RJ)	1,331,700	11⅛	- ⅛
Philip Morris	1,326,800	67⅝	- ⅜

TRADING ACTIVITY

† Volume Millions	Apr. 26	Apr. 25	Apr. 24
New York	153,860	166,940	166,800
Amex	10,605	12,109	10,136
NASDAQ	149,197	169,585	158,230
Issues Traded	2,036	2,032	2,052
Rises	663	569	844
Falls	867	961	727
Unchanged	506	502	481
New Highs	63	73	73
New Lows	8	8	10

CANADA

TORONTO	Apr. 26	Apr. 25	Apr. 24	Apr. 23	1991† HIGH	1991† LOW
Metals & Minerals	3134.90	3158.36	3201.71	3198.44	3284.18 (5/3)	2632.06 (9/1)
Composite	3497.22	3502.00	3504.18	3502.39	3572.53 (6/3)	3161.95 (15/1)
MONTREAL Portfolio	1849.57	1852.29	1849.57	1848.41	1888.19 (5/3)	1686.89 (9/1)

Base values of all indices are 100 except NYSE All Common—50; Standard and Poor's—10; and Toronto Composite and Metals—1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds.‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Apr. 29	Apr. 26	Apr. 25	Apr. 24	1991 HIGH	1991 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1558.3	1537.8	(c)	1518.5	1558.3 (29/4)	1284.5 (16/1)
All Mining (1/1/80)	680.1	671.2	(c)	665.5	680.1 (29/4)	561.6 (16/1)
AUSTRIA						
Credit Aktien (30/12/84)	522.32	522.07	525.04	523.38	534.81 (16/4)	398.94 (15/1)
BELGIUM						
BEL20 (1/1/91)	1198.99	1202.85	1208.88	1208.50	1212.15 (17/4)	917.59 (17/1)
DENMARK						
Copenhagen SE (3/1/83)	343.26	(c)	345.08	348.33	354.26 (4/4)	302.26 (8/1)
FINLAND						
HEX General (28/12/90)	1097.2	1093.0	1094.8	1098.9	1186.9 (8/4)	890.5 (23/1)
FRANCE						
CAC General (31/12/82)	478.53	477.99	479.28	479.31	498.78 (9/4)	394.88 (15/1)
CAC 40 (31/12/87)	1797.35	1774.67	1777.81	1782.83	1851.89 (3/4)	1425.26 (15/1)
GERMANY						
FAZ Aktien (31/12/58)	690.28	685.96	686.92	678.92	690.28 (29/4)	578.48 (15/1)
Commerzbank (1/12/53)	1959.1	1944.6	1949.3	1921.4	1959.1 (29/4)	1612.5 (15/1)
DAX (30/12/87)	1620.28	1625.81	1620.45	1603.73	1623.85 (17/4)	1311.82 (14/1)
HONG KONG						
Hang Seng Bank (31/7/64)	3624.72	3625.80	3594.38	3605.29	3869.70 (3/4)	2904.81 (16/1)
IRELAND						
ISEQ Overall (4/1/88)	1446.05	1456.46	1456.06	1467.54	1520.65 (15/3)	1134.86 (25/1)
ITALY						
Banca Com. Ital. (1972)	(u)	582.94	(c)	589.22	602.64 (19/4)	486.26 (29/1)
JAPAN						
Nikkei (16/5/49)	(c)	26123.66	26408.86	26308.21	27146.91 (18/3)	22442.70 (16/1)
Tokyo SE (Topix) (4/1/68)	(c)	1957.96	1982.56	1974.03	2028.85 (18/3)	1625.08 (17/1)
2nd Section (4/1/68)	(c)	3312.43	3337.38	3350.31	3404.88 (29/4)	2473.52 (24/1)
MALAYSIA						
KLSE Composite (4/4/86)	592.13	594.42	591.45	590.84	605.85 (11/3)	478.41 (16/1)
NETHERLANDS						
CBS TtlRtn.Gen.(End 1983)	275.5	274.8	276.6	274.5	276.6 (25/4)	221.4 (16/1)
CBS All Shr (End 1983)	200.7	199.6	201.5	200.2	201.5 (25/4)	162.3 (16/1)
NORWAY						
Oslo SE (Ind) (2/1/83)	723.51	716.14	716.13	702.39	735.00 (8/3)	610.45 (21/1)
PHILIPPINES						
Manila Comp (2/1/85)	1033.56	1048.18	1052.98	1046.31	1154.73 (8/4)	982.64 (18/1)
SINGAPORE						
SES All-Singapore (2/4/75)	420.78	422.43	420.44	417.54	422.43 (26/4)	315.07 (16/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	1026.0	1048.0	1049.0	1073.0	1367.0 (14/1)	971.0 (25/2)
JSE Industrial (28/9/78)	3535.0	3559.0	3549.0	3512.0	3559.0 (26/4)	2829.0 (16/1)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	644.60	634.29	626.36	632.43	697.62 (4/1)	614.60 (16/1)
SPAIN						
Madrid SE (30/12/85)	276.47	276.83	281.32	281.50	289.22 (18/3)	213.70 (14/1)
SWEDEN						
Affarsvarlden Gen. (1/2/37)	1051.9	1061.2	1064.4	1066.0	1119.0 (18/3)	808.4 (9/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	739.9	738.3	739.7	741.1	743.8 (3/4)	590.4 (14/1)
SBC General (1/4/87)	617.6	616.1	617.5	619.8	625.1 (9/4)	497.1 (14/1)
TAIWAN**						
Weighted Price (30/6/66)	5720.08	5941.15	5913.82	5806.74	5941.15 (26/4)	3316.26 (16/1)
THAILAND						
Bangkok SET (30/4/75)	867.97	872.51	883.60	895.34	908.13 (19/4)	582.48 (16/1)
WORLD						
M.S. Capital Intl.(1/1/70) (5)	504.9*	505.9	505.3	509.5	529.2 (17/4)	439.1 (16/1)

**Saturday April 27: Taiwan Weighted Price: 5980.25. Korea Comp Ex. 638.71.
& Subject to official recalculation. *Calculated at 15.00 GMT.
Base values of all indices are 100 except: BEL20, HEX General, ISEQ Overall and DAX—1,000, JSE Gold—255.7, JSE 26 Industrials—264.3 and Australia All Ordinary and Mining—500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Friday 26 April 1991

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Nikon Nohyaku	5.0m	2,100	-190	M'bishi Heavy	3.6m	780	+5
Nippon Steel	4.8m	473	+9	Isuzu Motors	3.5m	481	-9
Asahi Chemical	4.3m	786	-62	Kawasaki Steel	3.5m	483	+1
Sharp	3.8m	1,560	+20	Kobe Steel	3.4m	540	+9
Japan Steel Wks	3.7m	700	+25	Aoki	3.4m	786	+18

3:15 pm prices April 29

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1991 High	Low	Stock	Div.	Yld.	P/ E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
15¾	9¼	AAR Corp	0.48	0.04	12	940	13¾	13	13¼	-⅛
28¼	21⅝	A L Labs A	0.24	0.01	21	39	26⅝	26½	26⅝	
54¼	40⅞	AMP Inc	1.44	0.03	19	2131	51⅞	51	51	-½
68¼	44¼	AMR				161497	63½	62⅞	62⅞	-⅞
2⅝	1¼	ARX			3	40	2⅜	2⅜	2⅜	-⅛
48¼	41½	ASA	3.00	0.07	13	121	44⅞	44½	44⅞	-⅛
54	39¼	Abbott Lab	1.00	0.02	22	2714	51⅞	50⅞	51⅛	-⅛
13⅞	9⅞	Abitibi Pr	0.50	0.04	25	6	13¼	13¼	13¼	
11⅞	10⅞	ACM Gvt In				1074	u11⅞	11¼	11⅞	+⅛
9¼	8¼	ACM GvOpp				207	u9⅞	9¼	9⅞	
9¼	8¼	ACM Gvt Sp x	1.01	0.11		369	9⅛	9	9⅛	-⅛
11	9⅞	ACM Gvt Se x				483	10⅞	10⅛	10⅛	
8¼	7⅝	ACM Man				433	u8¼	8⅛	8⅛	
12⅞	11⅞	ACM Managd				75	u12⅞	12½	12⅝	
7¼	4⅝	Acme Cleve x	0.40	0.06	16	66	6⅞	6½	6½	
6	4⅞	Acme Electl			16	4	5	4⅞	4⅞	
40	22¾	Acuson			24	1138	33¼	32	32¼	-⅞
17⅞	14¼	Adams Expr	0.48	0.03	0	100	17⅛	17	17	-⅛
20⅛	18⅞	Adobe12Pf x	2.40	0.12		10	19⅝	19⅝	19⅞	-¼
9¼	7	Adobe Res			21	212	8	7⅞	8	
35⅞	18	Ad Micro				77	32¼	32¼	32½	+½
14¾	4⅝	Ad Micro P	3.00	0.24	14	8316	12⅝	12⅞	12½	+¼
6⅛	2¼	Advest Grp	0.18	0.04	5	61	4⅛	4⅛	4⅛	+⅛
49¼	33⅞	Aetna Li x	2.76	0.06		72845	43⅞	42⅝	42⅝	-1⅞
10⅞	6⅝	Affil A	0.24	0.03	34	338	8⅝	8½	8½	-⅛
18¾	12	Ahmanson	0.88	0.05	10	630	17½	17¼	17½	+¼
6⅞	2⅞	Aileen Inc			10	285	u6⅞	6½	6½	
70¼	51¼	Air Pr Chm			14	557	62⅞	62¼	62½	
25	18⅝	Airbne Frt	0.30	0.01	14	1162	23¼	22⅞	23	+¼

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NYSE COMPOSITE PRICES

Continued from previous page

- X - Y - Z -

1991 High	1991 Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close	Ch'ge
60¾	36⅝	Xerox	3.00	0.05	19	920	58¼	57½	57⅝	-1
49¼	43¼	Xerox4.125				2	48½	48½	48½	
21⅛	14⅞	Xtra 1.94				6	19⅞	19⅞	19⅞	-⅛
24⅞	14¼	Xtra Corp	0.72	0.03	11	19	21⅛	21⅛	21⅛	-½
1½	⅞	Zapata			0	775	⅝	⅝	⅝	
9⅝	6⅝	ZenithElec			2	727	7¼	7	7⅛	
18¼	12	Zenith Nat x	1.00	0.05	34	15	18⅝	18⅜	18½	-⅛
6	4½	Zenix Inc x	0.87	0.15		3	5⅝	5⅝	5⅝	
14½	10⅞	Zero Corp	0.72	0.05	14	84	14	13¾	13⅞	
41⅛	29⅛	Zurn Ind	0.88	0.02	14	142	36½	35¾	36¼	-⅛
13½	10⅜	Zweig Fund				144	12⅝	12½	12⅝	
9¾	8½	Zweig Totl.				880	u9⅞	9⅝	9⅞	+⅛

Price data supplied by Telekurs.

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

3:00 pm prices April 29

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
Pall Corp	0.44	35	304	33¼	32⅞	32½	-⅛
Pegasus G		6	312	10¾	10½	10¾	
Perini		12	147	15½	14⅞	15¼	+1⅞
Pet HeaP	0.31	5	7	u10	9⅞	9⅞	
PhII LD	0.16	7	60	17½	17¼	17¼	-⅜
Pittway A		11	5	26⅞	26⅞	27	

NASDAQ NATIONAL MARKET

3:15 pm prices April 29

AMERICA

Dow makes steady gains on March economic data

Wall Street

ECONOMIC statistics which showed signs of a recovery in economic activity during March lifted share prices yesterday morning, *writes Patrick Harverson in New York.*

By 1.30 pm the Dow Jones Industrial Average was up 12.13 at 2,924.51, having risen steadily since the opening bell. The more broadly based Standard & Poor's 500 was up 1.38 at 380.40 by 1 pm. The Nasdaq composite of over-the-counter stocks, however, eased 0.61 to 494.03.

Turnover on the New York SE was low at just 75m shares by 1 pm. Advancing issues were outpacing declining issues in early afternoon trading by 738 to 671.

Share prices received their boost after the Commerce Department released figures showing that new home sales rose by 1 per cent in March, and by a revised 18.6 per cent in February. Statistics outlining a 0.2 per cent rise in personal income and a 0.6 per cent rise in personal consumption in March were also released.

Taken together, the data were better than expected, and suggested that economic activity is now picking up, albeit slowly.

Last week the figures might have depressed prices, because they would have been interpreted as reducing the likelihood of further interest rate cuts. But yesterday investors reacted more favourably to good economic news because the Federal Reserve appears determined for the time being to leave monetary policy unchanged.

Pepsico slipped $1⅛ to $31 on volume of more than 1.5m shares after reporting a modest rise in first quarter profit to 26 cents a share from 23 cents a share.

A bigger decline was posted by A&P, the supermarket group, which fell $2⅝ to $47 in the wake of Friday night's warning that A&P's first quarter profits might be as much as 30 per cent below the $1.33 a share earned at the same stage in 1990.

Vista Chemical climbed $2⅞ to $52½ in response to the decision by RWE-DEA, the German utility group, to extend the deadline on its $55-a-share offer for Vista from May 13 to May 21.

Playboy Enterprises jumped $1 to $6¼ after reporting an increase in fiscal third quarter operating profit from 2 cents a share a year ago to 3 cents a share.

Other stocks to rise on news of improved profits included Universal Corporation, up $⅝ at $31⅝, Unum, rising $1⅛ to $63¼, and Good Guys Inc, $1 higher at $48½. The latter also announced a two-for-one stock split.

Outboard Marine dropped $⅝ to $14⅝ in the wake of its announcement late last week that it had closed two factories and made redundant about 150 staff because of a slump in demand.

Canada

NERVOUSNESS over the first budget by Ontario's socialist-oriented New Democratic Party, due later in the day, sent Toronto stocks lower in sluggish midday trade. The composite index lost 8.3 to 3,488.9. Declines led advances by 209 to 159 on volume of 13m shares.

Varity Corp again topped the most active list, jumping 10 cents to C$3.10 on volume of 3.95m shares.

Northern Telecom surged C$¾ to C$41¼ on volume of 91,000 shares, continuing an upswing triggered by surprisingly good first quarter earnings last week.

Gold shares traded lower after Comex gold futures slipped. Placer Dome fell C$¼ to C$14⅞, American Barrick eased C$¼ to C$21⅞, Echo Bay dropped C$⅛ to C$9 and Lac Minerals slipped C$⅛ to C$8⅛.

South African industrials enjoy a record run

Economic optimism and the easing of sanctions triggered the rise, says **Philip Gawith**

THE SHARP rise in the Johannesburg Stock Exchange (JSE) Industrial Index this year reminds local investment managers of the London adage, "sell in May and go away". The index has risen 25.8 per cent from 2,829 on January 16 to a record high of 3,559 on Friday. It slipped to 3,535 yesterday.

Industrial stocks, on an average price/earnings (p/e) ratio of 11.3 and an earnings yield of 8.8, are not expensive compared with some overseas shares, but they are high by South African standards.

Fund managers agree that the index, if not overvalued, is at least fully valued. They may not yet be thinking of selling, but they will certainly be doing less buying, as value is becoming increasingly difficult to find. Mr Roy McAlpine of Liberty Life comments: "Already we have seen heavier growth from January 1 in the financial and industrial [sectors] than even the most optimistic commentator would have forecast."

Lending support to the view that the market is due for a breather is the fact that the recent rise in the industrial index has been a rerating – there has been no commensurate rise in earnings or dividends – to which there must be an upward limit.

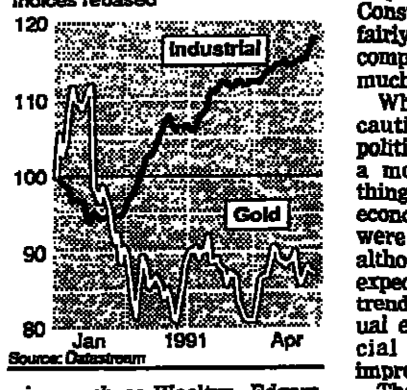
The outlook for corporate profits suggests that the market is looking two years ahead rather than one. Mr Niall Brown of stockbrokers Simpson Mckie says it forecasts 5 to 6 per cent nominal growth in the profits of industrial companies in the next six to 12 months, compared with inflation of 13 to 14 per cent.

What, then, has moved the index? First, expectations of much improved earnings growth from next year onwards. Mr Rob Lee of the Board of Executors, a financial services group, notes: "In the new South Africa one can imagine that the industrial companies are the ones that potentially can benefit."

Consumer-oriented companies, such as Wooltru, Edgars, Pick N Pay and South African Breweries, which are well placed to capitalise upon growth in the urban black market, are all on p/e ratios of close to 20.

Johannesburg

Indices rebased



Source: Datastream

A second reason is positive economic sentiment. The recession has bottomed out much earlier than the previous two, meaning that earnings have not been that badly hit. Mr Lee says it was mostly an inventory and investment recession. Consumer spending has stayed fairly buoyant throughout, and company balance sheets are in much better shape.

While businessmen remain cautiously optimistic about political developments, there is a more definite feeling that things can only improve on the economic front. Interest rates were lowered in March and, although no further cuts are expected in the short term, the trend is downwards. The gradual easing of trade and financial sanctions has also improved sentiment.

The buoyant performance of world markets has also helped the JSE Industrial Index, which traditionally tracks the Dow Jones Industrial Average.

The index has benefited from two important features of the JSE: the poor liquidity in the industrial sector and the weight of institutional funds. Exchange control has long created a hothouse effect on the JSE, with institutions being forced to chase a limited number of marketable stocks.

This has recently been compounded by other factors, including the decline in interest in mining shares as the gold industry's fortunes have waned, which has resulted in an increased focus on industrial stocks. The gold index fell from the year's high of 1,367 in mid-January to a low of 971 on February 25, a drop of 29 per cent. It has since rallied, and closed at 1,026 yesterday.

Also relevant have been the fall in disinvestment, an absence of big rights issues and no major privatisations. These factors, combined with bearish market sentiment, drove institutional liquidity to high levels at the end of 1990.

The return of these funds into equities over the past few months has been a significant factor in driving the market upward, as fund managers rushed to ensure that they did not miss out on the market's strong rise.

EUROPE

Activity slows in run-up to May Day break

BOURSES were mostly easier yesterday as activity slowed before the May Day holiday. Paris rose, but trading was thin, *writes Our Markets Staff.*

FT-SE Eurotrack 100 - Apr 29

Hourly changes

Open	10 am	11 am	Noon	1 pm	2 pm	3 pm	Close
1122.37	1121.67	1120.87	1120.14	1119.48	1119.60	1120.82	1120.75

Day's High 1122.37 Day's Low 1117.87

Apr 26	Apr 25	Apr 24	Apr 23	Apr 22
1115.94	1122.55	1119.18	1122.04	1112.13

Base value 1000 (26/10/90)

PARIS achieved a 1.3 per cent rise, but turnover was light, easing from Friday's FFr2bn to about FFr1.3bn – with much of that accounted for by futures and options-related trading before the expiry of contracts today.

One dealer said that investors seemed to be running out of solid reasons to buy. The CAC 40 index rose 22.68 to 1,797.35, ending below its day's high of 1,801.62.

Michelin picked up another FFr2.80 to FFr94.40, with 653,300 shares changing hands; the stock continued to benefit from Friday's brokers' comments. Elsewhere in the motor sector, Peugeot gained FFr12 to FFr571 on 138,550 shares.

Lyonnaise des Eaux-Dumez added FFr10 to FFr578. The group has said it will increase its stake in Alfred McAlpine, the UK construction company, to 12 per cent from 6 per cent.

Axa Midi gained FFr23 to FFr1,076. The insurer, which announced a rise in net profits in line with expectations on Friday, is one of the few blue chips still looking fairly cheap, said a dealer.

FRANKFURT ended lower after early buying failed to attract follow-through orders. Institutional activity was minimal and dealers expected trading to remain quiet this week.

Early on, the DAX index hit a day and year's high of 1,638.20, before closing 3.53 lower at 1,620.28, the day's low. The FAZ index, calculated at midsession, rose 4.32 to 690.28, a 1991 high. Volume fell to DM5.9bn from DM6.8bn.

Dealers were comforted that the recent strength in the German market had not triggered widespread profit-taking, and were cautiously optimistic that the DAX could break through 1,640 in the next month.

They noted that London brokers were increasing their weightings for the German market, which had lagged behind other European bourses, and that corporate results were coming in at the higher end of expectations.

Remarks by a German finance ministry official that rates could fall later this year lifted the banking sector. Deutsche ended DM2.50 up at DM649.50, Dresdner rose DM4 to DM374 and Commerzbank put on DM3.80 to DM262.50.

Among second-liners, Henkel preference shares rose DM6 to DM591 against the market, although dealers could not pinpoint reasons for the rise.

MILAN fell as political and economic concerns kept investors away. Volume remained thin, estimated at around Friday's L111bn, after last Thursday's Liberation Day holiday and before this Wednesday's May Day break. The MIB general index fell 16 or 1.4 per cent to 1,120; the Comit index was not available.

Among the industrials, Fiat fell L60 to L5,185.

Shares linked to the Mondadori group bucked the trend on hopes of an early end to the battle for the publisher. L'Espresso jumped to L21,000 from L19,600. Cir, Mr Carlo De Benedetti's holding company, eased L45 to L2,550 at the official close but rebounded to L2,620 after hours. Olivetti, which plunged last week on its 1990 results, fell L85 to L3,620 but then recovered to L3,700.

STOCKHOLM fell for the fourth day. The Affärsvärlden General index dropped 9.3 to 1,051.9 in meagre volume of SKr187m, down from SKr222m. The bourse will close from midday today until Thursday.

Ericsson accounted for SKr32m of the turnover, as its free Bs fell SKr3 to SKr195.

OSLO was lifted by Friday's cut in the Central Bank's key interest rate. The all-share index rose 5.20 to 481.56 in low turnover of NKr214m.

MADRID recouped part of its early loss, but turnover was thin at about Pta10bn after Friday's Pta11.8bn. The general index closed 0.36 down at 276.47, after finishing pit trading at 275.76. Iberduero, which said that it would raise its 1990 dividend by 9.3 per cent, rose Pta5 to Pta709.

ZURICH marked time, with the Crédit Suisse index down 0.3 at 550.8. Chemicals were mostly higher: Sandoz registered shares rose SFr50 to SFr11,550, but its bearers fell SFr50 to SFr11,800. The group forecast a good year in spite of lower first quarter sales.

AMSTERDAM rose initially on the stronger dollar but closed mixed before the national holiday today. The CBS tendency index ended 0.1 down at 95.5.

ATHENS fell 3 per cent, the general index losing 35.62 to 1,153.37.

ASIA PACIFIC

Australia and South Korea rise

BUYING INTEREST lifted the Australian and South Korean markets yesterday, but investors were in a rush to take profits in Taiwan. Most other markets were mixed and without direction, partly owing to the closure of Tokyo for the first of its Golden Week holidays; it will also shut this Friday and Monday next week.

AUSTRALIA advanced on buying by US and domestic investors, encouraged by expectations of lower inflation and interest rates. The All Ordinaries index moved ahead 20.4 to 1,558.3 in turnover of A$259m, similar to Thursday's level but below Friday's A$712m, which was boosted by options-related trading.

There was active buying of BHP, which rose 40 cents to A$12.70, and CRA, the mining group, up 55 cents at A$13.80.

Bundaberg Sugar, the subject of a A$4.10 a share bid from Tate and Lyle, fell 11 cents to A$3.85 after saying that Macquarie Bank had valued the company at between A$4.54 and A$5.16 a share.

SEOUL enjoyed its third successive session of strength, with the composite index climbing 5.89 to 644.60. Trading was active with Won171bn worth of shares exchanged, up from Saturday's Won112bn. Rumours of a possible summit between the North-South Korean leaders encouraged investors.

TAIWAN fell sharply in the most active day's trading since last June, as profit-taking weakened financial and textile shares. The weighted index lost 260.25 or 4.3 per cent to 5,728.00 in turnover of T$106bn, up from Saturday's T$59bn.

MANILA consolidated before the talks on US military bases in the Philippines. The composite index retreated 14.62 to 1,033.56 as turnover increased to 91m pesos from 86m.

HONG KONG recouped most of its early losses to close little changed. The Hang Seng index was finally off 1.08 at 3,624.72 after turnover of HK$1.02bn, down from HK$1.47bn. SINGAPORE was also mixed, the Straits Times Industrial index ending 0.23 up at 1,558.64.

Finland leads falls on political concerns

MARKETS IN PERSPECTIVE

	% change in local currency †				% change sterling †	% change in US $ †
	1 Week	4 Weeks	1 Year	Start of 1991	Start of 1991	Start of 1991
Austria	−0.84	+5.22	−19.00	+18.81	+16.60	+1.87
Belgium	−0.21	+1.36	−3.42	+20.38	+18.30	+3.35
Denmark	−2.51	−1.35	−1.12	+14.51	+12.99	−1.29
Finland	−5.30	−4.50	−13.57	+20.10	+22.13	+6.68
France	−0.90	−1.47	−15.17	+16.61	+14.71	+0.21
Germany	+1.01	+5.98	−11.82	+14.15	+11.35	−2.72
Ireland	−3.29	−2.71	−12.17	+20.72	+18.56	+3.58
Italy	−3.76	+0.05	−19.21	+12.67	+12.25	−1.93
Netherlands	−0.35	+2.38	+4.59	+19.80	+17.03	+2.25
Norway	−1.58	−2.92	−12.54	+5.13	+3.79	−9.33
Spain	−1.91	−2.72	+1.70	+23.09	+24.60	+8.85
Sweden	−1.06	−4.30	−3.49	+22.99	+26.86	+10.82
Switzerland	−0.80	+0.36	+1.64	+19.50	+17.97	+3.07
UK	−1.94	+0.31	+14.66	+15.79	+15.79	+1.16
EUROPE	−1.28	+0.81	−0.10	+16.37	+15.43	+0.83
Australia	+1.79	+7.09	+8.84	+21.91	+40.63	+22.86
Hong Kong	−0.64	−1.74	+19.93	+22.51	+40.31	+22.57
Japan	−1.68	−0.45	−11.07	+12.53	+26.48	+10.48
Malaysia	−0.98	−0.12	+14.93	+13.14	+26.88	+10.83
New Zealand	+0.24	+10.11	−20.68	+15.02	+31.28	+14.65
Singapore	+0.04	+3.46	+6.03	+30.27	+46.27	+27.78
Canada	+0.51	+0.72	+4.37	+5.98	+22.20	+6.76
USA	−1.38	+1.06	+14.17	+15.29	+31.97	+15.29
Mexico	−2.56	+15.19	+137.17	+57.74	+77.62	+55.17
South Africa	+1.31	+6.79	−2.98	+10.23	+28.35	+12.21
WORLD INDEX	−1.34	+0.83	+1.19	+14.71	+25.85	+15.29

† Based on April 26th 1991. Copyright, The Financial Times Limited, Goldman, Sachs & Co., and County NatWest Securities Ltd

By Antonia Sharpe

COMMENTS by Mr Alan Greenspan, chairman of the US Federal Reserve, that the current level of inflation did not justify further cuts in interest rates set the tone for equities last week.

The World Index, according to the FT-Actuaries series, declined 1.3 per cent in local currency terms, dragged lower by a 1.4 per cent fall in the US and a 1.7 per cent drop in Japan. The Tokyo fall was accentuated by shrinking volume before the Golden Week holidays, starting yesterday.

The worst performer of the week was Finland. The bourse dropped by 5.3 per cent in local currency terms in daily volume of less than FM20m ($4.9m) on uncertainty about the economic policy of the new centre-right government, which was formed last Friday.

Mr Peter Bradshaw of Swiss Bank Corporation in London says the market came under heavy selling pressure on Thursday, when volume expanded to FM50.1m as investors took up their options, which expired that day, and immediately sold the underlying stock. Union Bank of Finland was also reported to have been a heavy seller, via Unitas, the brokers, of restricted shares in itself and Kymmene, the forest products group.

However, Mr Bradshaw believes that the new government's adherence to the previous administration's economic policy, as well as promising to lower interest rates, should help the stock market. The government aims to keep the Finnish markka strong, avoid currency devaluation, cut interest rates and reduce the current account deficit.

Mr Bradshaw also believes the stock market is emerging from its 18-month trough. Investors have discounted the collapse in Finnish trade with the Soviet Union and are now looking forward to 1992 when the fortunes of Finnish companies are set to recover.

Australia provided the week's biggest rise, of 1.8 per cent in local currency terms, on prospects of further decreases in wages growth and inflation into 1992.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	FRIDAY APRIL 26 1991								THURSDAY APRIL 25 1991					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1991 High	1991 Low	Year ago (approx)
Australia (74)	145.04	+1.9	127.54	126.66	132.30	124.10	+1.8	5.54	142.33	124.57	124.16	129.28	121.93	145.04	112.74	127.69
Austria (19)	200.31	+0.3	176.14	174.93	182.71	181.74	−0.3	1.45	199.78	174.85	174.28	181.45	182.37	222.37	167.00	254.28
Belgium (60)	136.65	−0.2	120.16	119.32	124.64	121.49	−0.2	4.94	136.90	119.81	119.41	124.34	121.70	151.20	121.73	146.46
Canada (116)	138.82	−0.1	122.07	121.22	126.61	115.80	−0.2	3.42	138.99	121.64	121.23	126.23	115.99	141.10	126.49	130.37
Denmark (31)	229.62	−0.3	201.92	200.52	209.45	209.32	+0.0	1.60	230.39	201.64	200.98	209.25	209.32	270.56	217.74	244.63
Finland (21)	110.03	−0.9	96.76	96.09	100.37	94.23	−1.1	2.58	111.04	97.18	96.87	100.85	95.30	125.15	90.61	130.16
France (112)	132.03	−0.6	116.10	115.29	120.42	122.60	−0.1	3.56	132.86	116.28	115.89	120.68	122.75	152.26	121.85	163.32
Germany (68)	108.86	−0.7	95.72	95.07	99.29	99.29	−0.2	2.27	109.58	95.91	95.60	99.53	99.53	125.35	102.43	128.35
Hong Kong (48)	149.30	+1.0	131.29	130.38	136.19	149.42	+0.9	4.58	147.88	129.43	129.00	134.32	148.03	156.75	119.62	123.46
Ireland (16)	153.77	−1.4	135.22	134.29	140.26	142.08	−1.1	3.21	155.90	136.44	135.99	141.59	143.67	182.46	132.88	182.50
Italy (91)	76.80	−1.9	67.53	67.06	70.05	74.33	−1.4	3.31	78.31	68.54	68.31	71.12	75.36	88.23	72.05	100.42
Japan (452)	137.85	+0.3	121.22	120.38	125.76	120.38	+0.4	0.71	137.42	120.27	119.87	124.82	119.87	146.97	118.35	135.25
Malaysia (33)	235.12	+0.4	206.76	205.32	214.46	249.66	+0.3	3.03	234.24	205.01	204.33	212.75	248.99	247.78	192.83	207.68
Mexico (12)	906.88	−0.9	797.47	791.95	827.22	2976.60	−0.9	0.23	914.96	800.78	798.14	831.03	3003.12	931.33	534.45	407.87
Netherland (40)	136.98	−1.4	120.45	119.62	124.95	123.54	−0.9	4.21	138.92	121.58	121.18	126.17	124.68	145.73	125.70	136.10
New Zealand (14)	49.77	+0.8	43.77	43.47	45.40	45.10	+0.6	7.58	49.38	43.21	43.07	44.85	44.85	52.31	41.18	60.88
Norway (30)	185.21	−1.3	162.87	161.75	168.95	171.39	−0.9	1.76	187.59	164.18	163.64	170.38	172.95	223.24	182.24	219.87
Singapore (25)	203.51	+0.9	178.96	177.72	185.63	166.23	+0.6	2.02	201.72	176.54	175.96	183.21	165.23	208.25	151.63	182.46
South Africa (60)	205.06	−0.4	180.32	179.07	187.04	150.14	−0.4	3.78	205.95	180.25	179.65	187.05	150.81	208.54	173.00	175.02
Spain (41)	152.74	−1.1	134.31	133.38	139.32	125.02	−0.9	4.50	154.49	135.21	134.77	140.32	126.11	171.12	131.51	151.84
Sweden (27)	176.70	−0.9	155.39	154.31	161.19	163.30	−0.7	2.66	178.35	156.09	155.58	161.99	164.49	204.12	146.60	186.50
Switzerland (65)	91.66	−0.9	80.60	80.04	83.62	84.01	+0.0	2.48	92.49	80.95	80.69	84.02	84.04	100.67	82.17	91.03
United Kingdom (295)	167.59	−0.9	147.37	146.33	152.85	147.37	−0.4	4.82	169.11	148.01	147.51	153.59	148.01	187.44	156.27	140.04
USA (524)	153.69	−0.1	135.15	134.22	140.20	153.69	−0.1	3.17	153.80	134.61	134.17	139.70	153.80	158.24	125.95	133.11
Europe (936)	135.65	−0.9	119.29	118.46	123.74	121.46	−0.4	3.89	136.89	119.80	119.41	124.34	122.00	151.52	125.50	136.62
Nordic (109)	172.28	−0.7	151.50	150.45	157.15	152.11	−0.5	2.12	173.55	151.89	151.39	157.63	152.83	200.81	155.55	187.08
Pacific Basin (646)	138.23	+0.4	121.55	120.71	126.09	121.18	+0.5	1.05	137.67	120.49	120.10	125.05	120.58	145.92	117.86	134.45
Euro-Pacific (1582)	137.51	−0.1	120.92	120.07	125.42	122.16	+0.1	2.21	137.69	120.51	120.10	125.05	122.02	147.66	121.29	135.66
North America (640)	152.69	−0.1	134.27	133.36	139.30	151.14	−0.1	3.18	152.80	133.73	133.31	138.81	151.26	157.04	125.91	132.85
Europe Ex. UK (641)	116.21	−0.9	102.19	101.50	106.03	106.30	−0.4	3.18	117.27	102.63	102.31	106.53	106.78	129.80	106.85	132.48
Pacific Ex. Japan (194)	141.68	+1.4	124.59	123.74	129.25	126.53	+1.3	4.83	139.74	122.30	121.92	126.94	124.92	141.68	111.40	124.18
World Ex. US (1770)	138.67	−0.1	121.94	121.11	126.49	122.89	+0.1	2.26	138.86	121.53	121.14	126.13	122.78	148.16	122.32	136.04
World Ex. UK (1999)	140.29	+0.0	123.37	122.52	127.98	130.97	+0.1	2.33	140.32	122.81	122.41	127.46	130.86	145.77	120.06	133.37
World Ex. So. Af. (2234)	142.32	−0.1	125.15	124.30	129.83	132.46	+0.0	2.58	142.48	124.70	124.30	129.42	132.42	148.66	122.92	133.70
World Ex. Japan (1842)	146.63	−0.3	128.94	128.06	133.77	139.07	−0.2	3.51	147.11	128.75	128.34	133.63	139.30	152.63	128.69	134.62
The World Index (2294)	142.70	−0.1	125.49	124.62	130.18	132.59	+0.0	2.59	142.86	125.03	124.63	129.77	132.55	149.01	123.28	133.95

Latest prices were unavailable for this edition. Danish market closed April 26.